

NEW ISSUE—FULL BOOK-ENTRY

NOT RATED

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

\$4,525,000

**CITY OF ROSEVILLE
CROCKER RANCH COMMUNITY FACILITIES DISTRICT NO. 1
SPECIAL TAX BONDS
SERIES 2002**

Dated: Date of Delivery Due:

September 1, as shown below

The Bonds The bonds captioned above (the "Bonds"), are being issued by the City of Roseville (the "City") by and through its Crocker Ranch Community Facilities District No. 1 (the "District"). The Bonds are special tax obligations of the City, authorized pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, being California Government Code Section 53311, et seq. (the "Act"), and are issued pursuant to a Fiscal Agent Agreement dated as of March 1, 2002 (the "Fiscal Agent Agreement") by and between the City and BNY Western Trust Company, as fiscal agent (the "Fiscal Agent"). The Bonds are issued to (i) construct and acquire certain public facilities of benefit to the District; (ii) establish a reserve fund with respect to the Bonds, (iii) provide capitalized interest, and (iv) pay the costs of issuance of the Bonds. Interest on the Bonds is payable September 1, 2002, and thereafter semiannually on March 1 and September 1 of each year.

Registration The Bonds are being issued as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to ultimate purchasers in the denomination of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. See "APPENDIX G—BOOK-ENTRY SYSTEM."

Security The Bonds are secured by and payable from a pledge of Special Taxes (as defined herein) to be levied by the City on real property within the boundaries of the District, from the proceeds of any foreclosure actions brought following a delinquency in the payment of the Special Taxes, and from amounts held in certain funds under the Fiscal Agent Agreement, all as more fully described herein. Unpaid Special Taxes do not constitute a personal indebtedness of the owners of the parcels within the District. In the event of delinquency, proceedings may be conducted only against the parcel of real property securing the delinquent Special Tax. There is no assurance the owners will be able to pay the Special Tax or that they will pay such Special Tax even though financially able to do so. To provide funds for payment of the Bonds and the interest thereon as a result of any delinquent installments, the City will establish a Reserve Fund as described herein. See "SECURITY FOR THE BONDS."

The District Property in the District subject to the Special Tax comprises approximately 248 net acres northwest of the center of the City planned for 1,095 single family units and related uses. The property is currently mostly undeveloped; however, some portions are recently improved with certain infrastructure. Final maps have been approved for 160 units and construction of homes is expected to commence in Spring of 2002. See "THE DISTRICT" and "OWNERSHIP OF PROPERTY WITHIN THE DISTRICT."

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

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE COUNTY OF PLACER, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS DO NOT CONSTITUTE A DEBT OF THE CITY WITHIN THE MEANING OF ANY STATUTORY OR CONSTITUTIONAL DEBT LIMITATION. THE INFORMATION SET FORTH IN THIS OFFICIAL STATEMENT, INCLUDING INFORMATION UNDER THE HEADING "SPECIAL RISK FACTORS," SHOULD BE READ IN ITS ENTIRETY.

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

MATURITY SCHEDULE

<u>Maturity Date (September 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>	<u>Maturity Date (September 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>
2003	\$65,000	3.00%	100%	2010	\$ 85,000	5.30%	100%
2004	65,000	3.65	100	2011	90,000	5.35	100
2005	70,000	4.25	100	2012	95,000	5.50	100
2006	70,000	4.50	100	2013	100,000	5.60	5.65
2007	75,000	4.75	100	2014	105,000	5.70	5.75
2008	80,000	5.00	100	2015	115,000	5.75	5.80
2009	80,000	5.20	100	2016	120,000	5.85	100

\$1,465,000 6.25% Term Bonds Due September 1, 2025—Price: 100%
\$1,845,000 6.25% Term Bonds Due September 1, 2032—Yield: 6.30%

The Bonds are offered when, as and if issued, subject to approval as to their legality by Jones Hall, a Professional Law Corporation, San Francisco, California, Bond Counsel. Certain legal matters will also be passed on by Jones Hall, as Disclosure Counsel. Certain legal matters will be passed upon for the City by the City Attorney. It is anticipated that the Bonds will be available for delivery to DTC on or about April 25, 2002 in New York, New York.

Stone & Youngberg LLC

The date of this Official Statement is April 11, 2002

CITY OF ROSEVILLE, CALIFORNIA

City Council

Claudia Gamar, *Mayor*
F. C. "Rocky" Rockholm, *Mayor Pro Tempore*
Gina Garbolino, *Councilmember*
Richard Roccucci, *Councilmember*
Earl Rush, *Councilmember*

City Staff

Allen E. Johnson, *City Manager*
Russell Cochran Branson, *Finance Director*
Mark Doane, Esq., *City Attorney*
Carolyn Parkinson, *City Clerk*

SPECIAL SERVICES

Bond Counsel

Jones Hall, A Professional Law Corporation
San Francisco, California

Fiscal Agent

BNY Western Trust Company
San Francisco, California

Financial Advisor

Public Financial Management, Inc.
San Francisco, California

Appraiser

Seevers Jordan Ziegenmeyer
Roseville, California

Special Tax Consultant

Economic & Planning Systems, Inc.
Sacramento, California

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

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

Estimates and Forecasts. When used in this Official Statement and in any continuing disclosure by the City, in any press release and in any oral statement made with the approval of an authorized officer of the City, the words or phrases "will likely result," "are expected to", "will continue", "is anticipated", "estimate", "project," "forecast", "expect", "intend" and similar expressions identify "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the City since the date hereof.

Limit of Offering. No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representations in connection with the offer or sale of the Bonds other than those contained herein and if given or made, such other information or representation must not be relied upon as having been authorized by the City 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.

Involvement of Underwriter. The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, their responsibilities to investors under the Federal Securities Laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof. All summaries of the documents referred to in this Official Statement, 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.

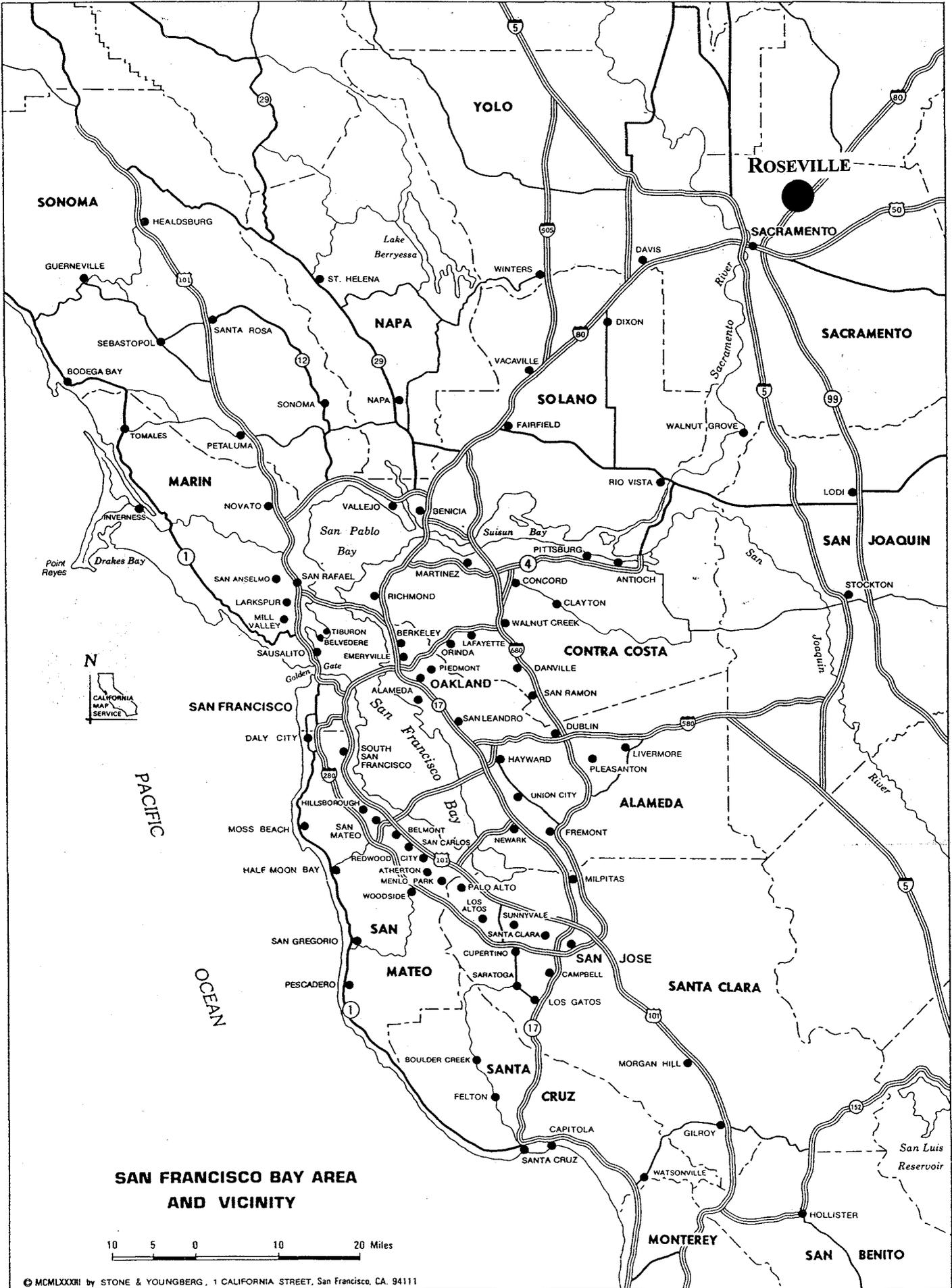
Stabilization of Prices. In connection with this offering, the Underwriter may overallocate or effect transactions which stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the public offering prices set forth on the cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

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

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LOCATION MAP



OFFICIAL STATEMENT

\$4,525,000
CITY OF ROSEVILLE
CROCKER RANCH COMMUNITY FACILITIES DISTRICT NO. 1
SPECIAL TAX BONDS
SERIES 2002

INTRODUCTION

This Official Statement, including the cover page and all Appendices hereto, is provided to furnish certain information in connection with the issuance by the City of Roseville (the "City") by and through its Crocker Ranch Community Facilities District No.1 (the "Community Facilities District" or the "District") of the bonds captioned above (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. Definitions of certain terms used herein and not defined herein have the meaning set forth in the Fiscal Agent Agreement. See "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT."

Creation of the District. The Bonds are issued pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982, as amended (Sections 53311, *et seq.*, of the Government Code of the State of California) (the "Act") and pursuant to a Fiscal Agent Agreement dated as of March 1, 2002 (the "Fiscal Agent Agreement") between the City and BNY Western Trust Company, San Francisco, California, as fiscal agent (the "Fiscal Agent") and Resolution No. 02- 81 (the "Resolution") adopted on April 3, 2002 by the City Council of the City (the "City Council") which authorized the issuance of the Bonds payable from Special Taxes (as defined herein) levied on property within the District according to a methodology approved by the City. The Bonds are payable from Special Taxes, which are to be levied by the City on real property within the boundaries of the District. The Bonds are also payable from the proceeds of any foreclosure actions brought following a delinquency in the payment of the Special Taxes, and from amounts held in certain funds and accounts pursuant to the Fiscal Agent Agreement, including a reserve fund, all as more fully described herein. See "SECURITY FOR THE BONDS." All of the property is currently owned by two commonly-owned entities that facilitate the acquisition of land and construction of new homes and, as to a portion of the property, sale of lots to merchant homebuilders.

Bond Terms. The Bonds will be dated as of and bear interest from the date of delivery thereof at the rate or rates set forth on the cover page of this Official Statement. Interest on the Bonds is payable on March 1 and September 1 of each year (each an "**Interest Payment Date**"), commencing September 1, 2002. The Bonds will be issued without coupons in denominations of \$5,000 or any integral multiple thereof.

Registration of Ownership of Bonds. The Bonds will be issued only as fully registered bonds in book-entry form, registered in the name of Cede & Co., as nominee of The Depository Trust Company ("**DTC**"). Ultimate purchasers of Bonds will not receive physical certificates representing their interest in the Bonds. So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the Owners will mean Cede & Co., and will not mean the ultimate purchasers of the Bonds. Payments of the principal, premium, if any, and interest on the Bonds will be made directly to DTC, or its nominee, Cede & Co. so long as DTC or Cede & Co. is the registered owner of the Bonds. Disbursements of such payments to DTC's Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC's Participants and Indirect Participants, as more fully described herein. See "**APPENDIX G – BOOK-ENTRY SYSTEM.**"

Use of Proceeds. Proceeds of the Bonds will primarily be used to finance a portion of the costs of acquiring and constructing certain public infrastructure improvements (the "**Improvements,**" as described herein). The Improvements consist generally of water, wastewater, drainage, roadway and other infrastructure improvements necessary for development of property within the District, as well as park and certain community improvements. See "**THE IMPROVEMENTS.**" The Improvements will provide necessary infrastructure for development of the initial 160 single family residential units to be constructed. Substantially all of the Improvements to be funded by the Bonds and needed for this initial phase of development have been completed by the Developer (described herein) and will be reimbursed by the proceeds of the Bonds. The land in the District is planned for 1,095 single family residential units. Proceeds of the Bonds will not be sufficient to finance the portion of the Improvements required for the remainder of development; those Improvements are anticipated to be financed substantially with an additional series of bonds to be issued in the future secured on a parity with the Bonds. Proceeds of the Bonds will also be used to fund a reserve fund for the Bonds, to provide capitalized interest until September 1, 2002 and to pay cost of the issuance of the Bonds.

Source of Payment of the Bonds. The Bonds are payable from special taxes (the "**Special Tax**" or "**Special Taxes**") which are to be levied by the City on taxable real property within the boundaries of the District. The Bonds are also payable from the proceeds of any foreclosure actions brought following a delinquency in payment of the Special Taxes, and from amounts held in certain funds and accounts pursuant to the Fiscal Agent Agreement, including a reserve fund, all as more fully described herein. The Special Tax applicable to each taxable parcel in the District will be levied and collected according to the tax liability determined by the City Council through the application of a rate and method of apportionment of Special Tax for the District (the "**Special Tax Formula**") which has been approved by the City. The Special Tax Formula is set forth in APPENDIX A hereto. The Special Taxes represent liens on the parcels of land subject to a Special Tax and failure to pay the Special Taxes could result in proceedings to foreclose the delinquent property. The Special Taxes do not constitute the personal indebtedness of the owners of taxed parcels. See "**SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Special Tax Methodology**" and "**APPENDIX A – RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.**" The maximum authorized indebtedness for the District is \$20 million; the Bonds are the first series of bonds contemplated for the District. The City and the Developer contemplate that additional bonds secured by the Special Tax in the District on a parity with the Bonds will be issued as development progresses.

The City will direct the Fiscal Agent to establish a Reserve Fund (the "**Reserve Fund**") from Bond proceeds in the amount of the Reserve Requirement, which amount is available to be transferred to the Bond Fund in the event of delinquencies in the payment of the Special Taxes, to the extent of such delinquencies. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Reserve Fund." If there are additional delinquencies after depletion of funds in the Reserve Fund, the City is not obligated to pay the Bonds or supplement the Reserve Fund.

Property Subject to the Special Tax. The District is located in the northwestern portion of the City within the City's North Roseville Specific Plan (the "**North Roseville Specific Plan**"). A land use plan for this area was adopted by the City Council on August 6, 1997, and subsequently amended. As amended, this specific plan area consists of approximately 1,550 net acres, and includes areas outside of the District which have been recently developed into residential neighborhoods consistent with the specific plan. The District represents only a portion of the North Roseville Specific Plan area, comprising a portion of the specific plan Phase 2 area and all of the Phase 3 area. See "THE DISTRICT — The North Roseville Specific Plan."

The District comprises approximately 321 acres planned for 1,095 single-family homes in nine villages, as well as open space and public parks. Of this amount approximately 248 net acres are subject to the Special Tax and represent security for the Bonds. All of the land in the District is owned by two commonly-owned entities. One of the entities, John Mourier Construction, Inc., Roseville, California ("**JMC**" or the "**Developer**"), is a homebuilder and plans to build and sell single family homes in multiple phases. An affiliate, Mourier Land Investment Corporation, owns a portion of the land and plans to sell large-lot mapped parcels to merchant builders, including the Developer. Construction of model home complexes and an initial release of to-be-constructed production homes by the Developer are anticipated to begin in April 2002.

Appraised Value of Property. Property in the District is security for the Special Tax. The City authorized the preparation of an appraisal report for the real property within the District, which sets forth a total bulk sale discounted value of property in the District of \$37,535,000, as of February 25, 2002. The valuation assumes completion of the Improvements funded by the Bonds (but not the Additional Bonds) and accounts for the impact of the lien of the Special Tax securing the Bonds. See "THE IMPROVEMENTS." In considering the estimates of value evidenced by the appraisal, it should be noted that the appraisal is based upon a number of standard and special assumptions which affected the estimates as to value, in addition to the assumption of completion of a portion of the Improvements. See "APPRAISAL OF PROPERTY WITHIN THE DISTRICT" and Appendix B. The appraised bulk sale valuation of property in the District is 8.2 times the \$4,525,000 aggregate principal amount of Bonds (and certain overlapping debt).

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

Limited Obligation of the City. The general fund of the City is not liable and the full faith and credit of the City is not pledged for the payment of the interest on, or principal of or redemption premiums, if any, on the Bonds. The Bonds are not secured by a legal or equitable pledge of or charge, lien or encumbrance upon any property of the City or any of its income or receipts, except the money in the Special Tax Fund (described herein) established under the Fiscal Agent Agreement, and neither the payment of the interest on nor principal of or redemption premiums, if any, on the Bonds is a general debt, liability or obligation of the City. The Bonds do not constitute an indebtedness of the City

within the meaning of any constitutional or statutory debt limitation or restrictions and neither the City Council, the City nor any officer or employee thereof are liable for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds other than from the proceeds of the Special Taxes and the money in the Special Tax Fund, as provided in the Fiscal Agent Agreement.

Summary of Information. Brief descriptions of certain provisions of the Fiscal Agent Agreement, the Bonds and certain other documents are included herein. The descriptions and summaries of documents herein do not purport to be comprehensive or definitive, and reference is made to each such document for the complete details of all its respective terms and conditions, copies of which are available for inspection at the office of the Finance Director of the City. All statements herein with respect to certain rights and remedies are qualified by reference to laws and principles of equity relating to or affecting creditors' rights generally. Capitalized terms used in this Official Statement and not otherwise defined herein have the meanings ascribed to such terms in the Fiscal Agent Agreement. The information and expressions of opinion herein speak only as of the date of this Official Statement and are subject to change without notice. Neither delivery of this Official Statement, any sale made hereunder, nor any future use of this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the City or the District since the date hereof.

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. For definitions of certain terms used herein and not defined herein, see "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT."

THE BONDS

Authority for Issuance

The Bonds are issued pursuant to the Fiscal Agent Agreement, approved by Resolution No. 02-81 adopted by the City Council on April 3, 2002, and the Act.

On February 6, 2002, the City Council adopted Resolution No. 02-53 (the "**Resolution of Formation**"), which formed the District. The District was established and authorized to incur bonded indebtedness in an aggregate principal amount not to exceed \$20,000,000 at a special election in the District held on the same day. Under the provisions of the Act, since there were fewer than 12 registered voters residing within the District at a point during the 90-day period preceding the adoption of the Resolution of Formation, the qualified electors entitled to vote in the special election consisted of the Developer and an affiliated entity, who cast one vote for each acre or portion of an acre of land owned within the District. The landowners voted to incur the indebtedness and to approve the annual levy of Special Taxes to be collected within the District, for the purpose of paying for the Improvements, including repaying any indebtedness of the District, replenishing the Reserve Fund and paying the administrative expenses of the District. See "THE DISTRICT" herein. The City anticipates that it will issue additional bonds secured by the Special Tax in the District to finance Improvements not financed with proceeds of the Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Additional Bonds" below.

Description of the Bonds

Bond Terms. The Bonds will be dated as of and bear interest from the date of delivery thereof at the rates and mature in the amounts and years, as set forth on the cover page hereof. The Bonds are being issued in the denomination of \$5,000 or any integral multiple thereof.

Interest on the Bonds will be payable semiannually on March 1 and September 1 of each year (each an “**Interest Payment Date**”), commencing September 1, 2002. The principal of the Bonds and premiums due upon the redemption thereof, if any, will be payable in lawful money of the United States of America at the principal corporate trust office of the Fiscal Agent in San Francisco, California, or such other place as designated by the Fiscal Agent, upon presentation and surrender of the Bonds; provided that so long as any Bonds are in book-entry form, payments with respect to such Bonds will be made by wire transfer, or such other method acceptable to the Fiscal Agent, to DTC.

Book-Entry Only System. The Bonds are being issued as fully registered bonds, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“**DTC**”), and will be available to ultimate purchasers under the book-entry system maintained by DTC. Ultimate purchasers of Bonds will not receive physical certificates representing their interest in the Bonds. So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the Owners will mean Cede & Co., and will not mean the ultimate purchasers of the Bonds. The Fiscal Agent will make payments of the principal, premium, if any, and interest on the Bonds directly to DTC, or its nominee, Cede & Co., so long as DTC or Cede & Co. is the registered owner of the Bonds. Disbursements of such payments to DTC’s Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC’s Participants and Indirect Participants, as more fully described herein. See “**APPENDIX G –BOOK ENTRY SYSTEM.**” below.

Calculation and Payment of Interest. Interest on the Bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Bonds (including the final interest payment upon maturity or earlier redemption) is payable by check of the Fiscal Agent mailed on each Interest Payment Date 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 will be made by wire transfer, or such other method acceptable to the Fiscal Agent, to DTC. See “**APPENDIX G –BOOK ENTRY SYSTEM**” below.

Each Bond will 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 will 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 will 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 will bear interest from the Dated Date; provided, however, that if at the time of authentication of a Bond, interest is in default thereon, such Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon. So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, payments of the principal, premium, if any, and interest on the Bonds will be made directly to DTC, or its nominee, Cede & Co. Disbursements of such payments to DTC’s

Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC's Participants and Indirect Participants, as more fully described herein. See "APPENDIX G – BOOK ENTRY SYSTEM" below.

Redemption

Optional Redemption. The Bonds are subject to optional redemption from any source of available funds prior to maturity, in whole, or in part among maturities as specified by the City and by lot within a maturity, on any Interest Payment Date on or after September 1, 2009, at the following respective redemption prices (expressed as percentages of the principal amount of the Bonds to be redeemed), plus accrued interest thereon to the date of redemption:

<u>Redemption Dates</u>	<u>Redemption Price</u>
September 1, 2009 and March 1, 2010	103%
September 1, 2010 and March 1, 2011	102
September 1, 2011 and March 1, 2012	101
September 1, 2012 and Interest Payment Dates thereafter	100

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

<u>Redemption Dates</u>	<u>Redemption Price</u>
September 1, 2002 to and including March 1, 2010	103%
September 1, 2010 and March 1, 2011	102
September 1, 2011 and March 1, 2012	101
September 1, 2012 and Interest Payment Dates thereafter	100

Mandatory Sinking Fund Redemption.

The Term Bonds maturing September 1, 2025 and 2032 are subject to mandatory sinking payment redemption in part on September 1, 2017 and September 1, 2026, respectively, and on each September 1 thereafter to maturity, by lot, at a redemption price equal to 100% of the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts as set forth in the following tables:

Term Bonds of 2025

Mandatory Redemption Date (September 1)	Sinking Fund Payment
2017	\$125,000
2018	135,000
2019	145,000
2020	150,000
2021	160,000
2022	170,000
2023	180,000
2024	195,000
2025 (maturity)	205,000

Term Bonds of 2032

Mandatory Redemption Date (September 1)	Sinking Fund Payment
2026	\$220,000
2027	230,000
2028	245,000
2029	260,000
2030	280,000
2031	295,000
2032 (maturity)	315,000

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

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

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

Such notice will state the redemption date and the redemption price and, if less than all of the then Outstanding Bonds are to be called for redemption, will 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 will 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, will state as to any Bond called in part the principal amount thereof to be redeemed, and will require that such Bonds be then surrendered at the Principal Office of the Fiscal Agent for redemption at the said redemption price, and will 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 will, to the extent practicable, bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

Whenever provision is made in the Fiscal Agent Agreement for the redemption of less than all of the Bonds of any maturity, the Fiscal Agent will 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 deems appropriate. Upon surrender of Bonds redeemed in part only, the City will execute and the Fiscal Agent will authenticate and deliver to the registered Owner, at the expense of the City, a new Bond or Bonds, of the same series and maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond or Bonds.

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

Transfer or Exchange of Bonds

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

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

Bonds Mutilated, Lost, Destroyed or Stolen

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

ESTIMATED SOURCES AND USES OF FUNDS

A summary of the estimated sources and uses of funds associated with the sale of the Bonds follows:

Estimated Sources of Funds:	
Principal Amount of Bonds	\$4,525,000.00
Less Original Issue Discount	<u>(14,051.50)</u>
Total	\$4,510,948.50
Estimated Uses of Funds:	
Deposit to Improvement Fund	\$3,801,148.37
Deposit to Reserve Fund	335,625.00
Deposit to Bond Fund ⁽¹⁾	94,082.63
Costs of Issuance ⁽²⁾	<u>280,092.50</u>
Total	\$4,510,948.50

⁽¹⁾ Represents an amount to provide for interest to September 1, 2002.

⁽²⁾ Includes fees of Bond Counsel, initial fees, expenses and charges of the Fiscal Agent, costs of printing the Official Statement, administrative fees of the City, special tax consultant, appraiser, Underwriter's discount, financial advisory fees, and other costs of issuance.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Special Taxes

A Special Tax applicable to each taxable parcel in the District will be levied and collected according to the tax liability determined by the City Council through the application of the Special Tax Formula prepared by Economic & Planning Systems, Inc., Sacramento, California (the "Special Tax Consultant") and set forth in APPENDIX A hereto for all taxable properties in the District. Interest and principal on the Bonds is payable from the annual Special Taxes to be levied and collected on taxable property within the District, from amounts held in the funds and accounts established under the Fiscal Agent Agreement (other than the

Rebate Fund) and from the proceeds, if any, from the sale of such property for delinquency of such Special Taxes.

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

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

The City may levy the Special Tax at the Maximum Annual Special Tax rate authorized by the qualified electors within the District as set forth in the Special Tax Formula if conditions so require. The City has covenanted to annually levy the Special Taxes in an amount at least sufficient to pay the Annual Costs (as defined below). Because each Special Tax levy is limited to the Maximum Annual Special Tax rates authorized as set forth in the Special Tax Formula, no assurance can be given that, in the event of Special Tax delinquencies, the amount of the Annual Costs will in fact be collected in any given year. See "SPECIAL RISK FACTORS — Tax Delinquencies" herein. The Special Taxes are collected for the City by the County of Placer in the same manner and at the same time as *ad valorem* property taxes.

Special Tax Methodology

The Special Tax authorized under the Act applicable to land within the District will be levied and collected according to the tax liability determined by the City through the application of the appropriate amount or rate as described in the Special Tax Formula set forth in "APPENDIX A — RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX." Capitalized terms set forth in this section and not otherwise defined have the meanings set forth in the Special Tax Formula.

Determination of Annual Costs. Each year, the City will determine the Annual Costs of the District for the upcoming fiscal year. The "**Annual Costs**" include the following items:

- (i) debt service on the Bonds;
- (ii) administrative expenses and County fees;

(iii) any amounts needed to replenish bond reserve funds and to pay for delinquencies in Special Taxes for the previous Fiscal Year or anticipated for the current year; and

(iv) pay-as-you-go expenditures for authorized improvements.

The Annual Costs are the basis for the amount of Special Tax to be levied within the District. In no event may the City levy a Special Tax in any year above the Maximum Annual Special Tax identified for each parcel in the Special Tax Formula.

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

Tax Zone 1 and Tax Zone 2 Parcels. The Special Tax Formula classifies the property in the District as being within "Tax Zone 1," which is all property south of the North Branch of Pleasant Grove Creek and "Tax Zone 2," which is all property north of the creek. The Developer's initial area of development is within Tax Zone 1. The Special Tax Formula provides that the Special Tax will be levied against property in the District up to the maximum in the following order: (i) Developed Parcels in Tax Zone 1 and Tax Zone 2, (ii) Large Lot Parcels in Zone 1, (iii) Large Lot Parcels in Zone 2, (iv) Undeveloped Parcels in Tax Zone 1 and (v) Undeveloped Parcels in Tax Zone 2. "**Developed Parcels**" are defined as single family residential property subject to a final small lot subdivision map for which a building permit has been issued. "**Large Lot Parcels**" are the planned Large Lot Parcels by land use as identified in the North Roseville Specific Plan Phase 2 and Phase 3, or parcels subsequently created by Large Lot Subdivision Maps. An "**Undeveloped Parcel**" is any parcel subject to the Special Tax which is not a Developed Parcel or a Large Lot Parcel. The Special Tax Formula describes in detail the precise method for assigning the Maximum Annual Special Tax to parcels within the District, which generally provides that by August 1 of each year the City will use the definitions contained in the Special Tax Formula to classify each Taxable Parcel as a Developed Parcel, a Large Lot Parcel or an Undeveloped Parcel and the Special Tax assigned in the amount shown in a schedule attached to the Special Tax Formula. See "Levy of Maximum Annual Special Tax and Debt Service Coverage."

Annual Special Tax Levy. The Special Tax will be levied each year by comparing the Annual Costs to the Maximum CFD Revenue to be generated by all Taxable Parcels; if the Annual Costs are less than the Maximum CFD Revenue, the Special Tax levy will be decreased proportionately for each Taxable Parcel until the Special Tax revenue equals the Annual Costs.

Termination of the Special Tax. The Special Tax will be levied and collected for as long as needed to pay the principal and interest on the Bonds and other costs incurred in order to construct the authorized District-funded facilities and to pay the Annual Costs. The Special Tax Formula provides that the Special Tax may not be levied on any parcel in the District after fiscal Year 2035-36. When all Annual Costs incurred by the District have been paid, the Special Tax will cease to be levied.

Prepayment of the Special Tax. The Special Tax Formula provides that landowners may permanently satisfy all or a portion of the Special Tax by a cash settlement with the City, subject to the conditions set forth in the Special Tax Formula, including the condition that the Parcel whose Special Tax is to be prepaid is either (i) a whole Specific Plan Parcel greater than one acre, or (ii) a Final Use Parcel. The prepayment amount will be established using the

formula set forth in the Special Tax Formula, which is generally based on the Parcel's share of the outstanding Bonds, the Reserve Fund, fees, call premiums, negative arbitrage and any expenses incurred by the City in connection with the prepayment.

Levy of Maximum Annual Special Tax and Debt Service Coverage

The annual Special Tax will be calculated by the City and levied to provide money for debt service on the Bonds, replenishment of the Reserve Fund, anticipated Special Tax delinquencies, administration of the District, and for payment of pay-as-you-go expenditures of the Improvements or authorized District-funded facilities not funded from Bond proceeds. In no event may the City levy a Special Tax in any year above the Maximum Annual Special Tax identified for each parcel in the Special Tax Formula. Based on current development plans, the Maximum Annual Special Tax per single family unit is either \$1,344, \$1,536 or \$1,740, however these amounts are subject to adjustment based upon the actual number of units built. For Large Lots Parcels and Undeveloped Parcels, the Special Tax is based upon the gross acres or number of units planned for such parcels. See "APPENDIX A - RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX."

The Special Tax will be levied in an amount at least equal to the Annual Costs as described in the Special Tax Formula and may be levied in an amount up to the maximum rates, which may include a pay-as-you-go component. The total Maximum Annual Special Tax levy for the District is \$1,686,996 (upon full buildout) which includes amounts contemplated to be needed in the future for payment of bonds which are currently authorized but unissued. The following table shows the Maximum Annual Special Tax for each large lot in the District as shown in the North Roseville Specific Plan, calculated based upon the Developer's currently anticipated development plan for 1,095 units in the District. See "THE DISTRICT."

TABLE 1
City of Roseville
Crocker Ranch Community Facilities District No. 1
Maximum Annual Special Tax By Large Lot Number

Large Lot Number	Assessor's Parcel Number	Planned Units	Estimated Maximum Annual Special Tax Rate ⁽¹⁾ <i>Per Planned Unit</i>	Maximum Annual Special Tax
W-1	017-114-082	35	\$1,740	\$ 60,900
W-2	017-114-083	36	1,740	62,640
W-3A	por. 017-114-084	112	1,740	194,880
W-3B	por. 017-114-084	36	1,536	55,296
W-4	017-114-085	112	1,740	194,880
W-5	017-114-086	48	1,740	83,520
DR-1	por. 017-114-028	45	1,344	60,480
DR-2	por. 017-114-028	72	1,536	110,592
DR-3	por. 017-114-028	306	1,536	470,016
DR-4	por. 017-114-028	293	1,344	393,792
DR-50	por. 017-114-028	0	Exempt	0
W-50	017-114-087	0	Exempt	0
W-51	017-114-088	0	Exempt	0
W-52	017-114-089	0	Exempt	0
W-53	017-114-090	0	Exempt	0
W-80	017-114-091	0	Exempt	0
W-81	017-114-092	0	Exempt	0
W-82	017-114-089	0	Exempt	0
W-83	N/A	0	Exempt	0
Total		1,095		\$1,686,996

Undeveloped Parcels	<i>Per Gross Acre</i> \$7,400
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⁽¹⁾ Estimated Maximum Annual Special Tax Rate per unit is calculated by dividing the Maximum Annual Special Tax by the number of Planned Units. The Maximum Annual Special Tax per unit will be calculated by dividing the Maximum Annual Special Tax by the actual number units created by a final map. If fewer units are created than estimated in this table, the Maximum Annual Special Tax per unit will increase unless the Special Tax is transferred pursuant to provisions of the Special Tax Formula.

Proceeds of the annual Special Tax levy will first be used to pay the Annual Costs other than pay-as-you-go expenditures and second, if the levy included a pay-as-you-go component, for deposit into the Improvement Fund for authorized costs not funded from Bond proceeds. The pay-as-you-go component of the Special Tax Formula may be utilized in the event the cost of the Improvements exceeds the amounts in the Improvement Fund available therefor and the Developer elects not to pay such deficiency from other available sources of funds. See "THE IMPROVEMENTS" and "APPRAISAL OF PROPERTY IN THE DISTRICT." See also "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Special Tax Methodology" above. See "APPENDIX A - RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX" for a copy of the Special Tax Formula. The Developer and the City expect that Additional Bonds secured by the Special Tax on a parity with the Bonds will be issued to finance a portion of the cost of the additional Improvements. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Additional Bonds."

Special Tax Fund

When received, the Special Taxes are required under the Fiscal Agent Agreement to be deposited into a Special Tax Fund to be held by the City in trust for the benefit of the City and the Owners of the Bonds. Within the Special Tax Fund, the Finance Director will establish and maintain two accounts, (i) the Debt Service Account, to the credit of which the City will deposit, immediately upon receipt, all Special Tax revenue, and (ii) the Surplus Account, to the credit of which the City will deposit surplus Special Tax Revenue as described below. Moneys in the Special Tax Fund will be disbursed as provided below and, pending any disbursement, will be subject to a lien in favor of the Owners of the Bonds. From time to time, the City may withdraw from the Debt Service Account or the Surplus Account of the Special Tax Fund amounts needed to pay the City's administrative expenses and County fees; provided that such transfers will not be in excess of the portion of the Special Tax Revenues collected by the City that represent levies for administrative expenses.

All Special Tax Revenue will be deposited in the Debt Service Account upon receipt. No later than 10 Business Days prior to each Interest Payment Date, the City will withdraw from the Debt Service Account of the Special Tax Fund and transfer (i) to the Fiscal Agent for deposit in the Reserve Fund, an amount which when added to 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. At such time as deposits to the Debt Service Account equal the principal, premium if any, and interest becoming due on the Bonds for the current Bond Year and the amount needed to restore the Reserve Fund balance to the Reserve Requirement, the amount in the Debt Service Account in excess of such amount may, at the discretion of the City, be transferred to the Surplus Account, which will occur on or after September 15th of each year. If there has been no levy for pay-as-you-go expenditures it is unlikely there will be amounts to be transferred to the Surplus Account.

Moneys in the Surplus Account may, at the City's discretion, be transferred to the Improvement Fund to pay for costs of the Improvements or authorized facility contributions, to pay the principal of, premium, if any, and interest on the Bonds or to replenish the Reserve Fund to the amount of the Reserve Requirement. See "THE IMPROVEMENTS – Construction and Acquisition of the Improvements."

Deposit and Use of Proceeds of Bonds

The Bonds are additionally secured by amounts generated from proceeds of the Bonds, together with interest earnings thereon pledged under the Fiscal Agent Agreement. The proceeds of the initial purchase of the Bonds will be paid to the Fiscal Agent, who will deposit such proceeds in the Improvement Fund, Reserve Fund, Bond Fund and Costs of Issuance Fund established under the Fiscal Agent Agreement. See "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT" for information on use of the moneys, including investment earnings thereon, in the various funds established under the Fiscal Agent Agreement. See also "Reserve Fund" and "Improvement Fund" below.

Delinquent Payments of Special Tax; Covenant for Superior Court Foreclosure

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

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

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

The owners of the Bonds benefit from the Reserve Fund established pursuant to the Fiscal Agent Agreement; however, if delinquencies in the payment of the Special Taxes with respect to the Bonds are significant enough to completely deplete the Reserve Fund, there could be a default or a delay in payments of principal and interest to the owners of the Bonds pending prosecution of foreclosure proceedings and receipt by the City of the proceeds of foreclosure sales. Provided that it is not levying the Special Tax at the Maximum Annual Special Tax rates set forth in the Special Tax Formula, the City may adjust (but not to exceed the Maximum Annual Special Tax) the Special Taxes levied on all property within the District subject to the Special Tax to provide an amount required to pay debt service on the Bonds and to replenish the Reserve Fund.

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

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

taxes and special assessments. See "APPRAISAL OF PROPERTY WITH THE DISTRICT – Priority of Lien."

No assurances can be given that the real property subject to a judicial foreclosure sale will be sold or, if sold, that the proceeds of sale will be sufficient to pay any delinquent Special Tax installment. The Act does not require the District to purchase or otherwise acquire any lot or parcel of property foreclosed upon if there is no other purchaser at such sale.

Section 53356.6 of the Act requires that property sold pursuant to foreclosure under the Act be sold for not less than the amount of judgment in the foreclosure action, plus post-judgment interest and authorized costs, unless the consent of the owners of 75% of the outstanding Bonds is obtained. However, under Section 53356.6 of the Act, the District, as judgement creditor, is entitled to purchase any property sold at foreclosure using a "credit bid," where the District could submit a bid crediting all or part of the amount required to satisfy the judgment for the delinquent amount of the Special Tax. If the District becomes the purchaser under a credit bid, the District must pay the amount of its credit bid into the redemption fund established for the Bonds, but this payment may be made up to 24 months after the date of the foreclosure sale.

Reserve Fund

In order to secure further the timely payment of principal of and interest on the Bonds, the City is required to maintain on deposit in the Reserve Fund held by the Fiscal Agent an amount set forth in the Fiscal Agent Agreement equal to the "**Reserve Requirement**," which is the lesser of 10% of the original principal amount of the Bonds, 100% of maximum annual debt service on the Bonds, or 125% of average annual debt service on the Bonds. The City is required to maintain an amount of money or other security equal to the Reserve Requirement in the Reserve Fund at all times that the Bonds are outstanding. All amounts deposited in the Reserve Fund will 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 will provide written notice thereof to the City.

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 will transfer an amount equal to the excess from the Reserve Fund to the Bond Fund or the Improvement Fund as provided below, except that investment earnings on amounts in the Reserve Fund may be withdrawn from the Reserve Fund for purposes of making payment to the Federal government to comply with rebate requirements.

Moneys in the Reserve Fund will be invested and deposited in accordance with the Fiscal Agent Agreement. Interest earnings and profits resulting from the investment of moneys in the Reserve Fund and other moneys in the Reserve Fund will remain therein until the balance exceeds the Reserve Requirement; any amounts in excess of the Reserve Requirement will be transferred to the Improvement Fund, if the Improvements have not been completed, or if the Improvements have been completed, to the Bond Fund to be used for the payment of the principal of and interest on the Bonds in accordance with the Fiscal Agent Agreement.

Whenever the balance in the Reserve Fund exceeds the amount required to redeem or pay the Outstanding Bonds, including interest accrued to the date of payment or redemption and premium, if any, due upon redemption, and make any other transfer required under the Fiscal Agent Agreement, the Fiscal Agent will 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. If 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 will be transferred to the City, after payment of any amounts due the Fiscal Agent, to be used for any lawful purpose of the City.

Improvement Fund

Under the Fiscal Agent Agreement, there is established an Improvement Fund, which is to be held in trust by the City and will be disbursed as provided in the Fiscal Agent Agreement for the payment or reimbursement of the costs of the construction and acquisition of the Improvements in accordance with the Acquisition Agreement (as described herein). Interest earnings from the investment of amounts in the Improvement Fund will be retained in the Improvement Fund to be used for the purposes of the Improvement Fund.

Upon completion of the Improvements and reimbursement to the Developer for authorized reimbursements, the City will transfer the amount, if any, remaining in the Improvement Fund to the Fiscal Agent for deposit in the Bond Fund for application to the payment of principal of and interest on the Bonds in accordance with the Fiscal Agent Agreement, and the Improvement Fund will be closed. See "THE IMPROVEMENTS."

Additional Bonds

The Resolution of Formation authorizes the issuance of up to \$20 million of bonds, of which the Bonds represent the first series. In addition to the Bonds, the City expects that it will, by a Supplemental Fiscal Agent Agreement, authorize the issuance of one or more additional Series of Bonds ("**Additional Bonds**") payable from Special Taxes and secured by the Special Taxes on a parity with the Bonds and other Additional Bonds previously issued, upon compliance by the City with the conditions set forth in the Fiscal Agent Agreement, which include the following:

(i) The amount on deposit in the Reserve Fund shall be increased to an amount at least equal to the Reserve Requirement with respect to the Outstanding Bonds and the Additional Bonds.

(ii) Projected Maximum Special Taxes plus projected investment earnings on amounts held in the Reserve Fund to be transferred to the Bond Fund pursuant to the terms of this Fiscal Agent Agreement for each Fiscal Year are equal to or greater than one hundred ten percent (110%) of maximum Debt Service for each Fiscal Year that the Bonds and Additional Bonds will be outstanding; provided that such projection of investment earnings on amounts held in the Bond Reserve Account may assume an investment rate equal to the City's average portfolio rate available to the City at the time of determination.

(iii) The aggregate value of all parcels in the District subject to the Special Tax, including then existing improvements and any facilities to be constructed or acquired with the proceeds of the proposed series of Bonds, as determined by an MAI appraisal or, in the alternative, the assessed value of all such parcels and improvements thereon (and improvements to be financed from proceeds of the bonds proposed to be issued) as shown on the then current County tax roll, or by a combination of both methods is at least 3.00 times the sum of (i) the aggregate principal amount of all bonds then outstanding plus (ii) the aggregate principal amount of the series of bonds proposed to be issued, plus (iii) the aggregate principal amount of any bonds then outstanding and payable from assessments which are a lien against property in the District, plus (iv) a portion of the aggregate principal amount of all Mello-Roos bonds,

other than Bonds then outstanding, and payable at least partially from special taxes to be levied on parcels of land subject to the Special Tax within the District (the "**Other Mello-Roos Bonds**") equal to the aggregate principal amount of the Other Mello-Roos Bonds multiplied by a fraction, the numerator of which is the amount of special taxes levied for the Other Mello-Roos Bonds on parcels of land within the District subject to the Special Tax, and the denominator of which is the total amount of special taxes levied for the Other Mello-Roos Bonds on all parcels of land subject to the Special Tax against which the special taxes are levied to pay the Other Mello-Roos Bonds (such fraction to be determined based upon the special taxes which could be levied the year in which maximum annual debt service on the Other Mello-Roos Bonds occurs), based upon information from the most recent available fiscal year.

DEBT SERVICE SCHEDULE

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

TABLE 2
CROCKER RANCH COMMUNITY FACILITIES DISTRICT NO. 1
SPECIAL TAX BONDS SERIES 2002
DEBT SERVICE

<u>Year Ending</u> <u>September 1</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002		\$94,082.63*	94,082.63
2003	\$65,000	268,807.50	333,807.50
2004	65,000	266,857.50	331,857.50
2005	70,000	264,485.00	334,458.00
2006	70,000	261,510.00	331,510.00
2007	75,000	258,360.00	333,360.00
2008	80,000	254,797.50	334,797.50
2009	80,000	250,797.50	330,797.50
2010	85,000	246,637.50	331,637.50
2011	90,000	242,132.50	332,132.50
2012	95,000	237,317.50	332,317.50
2013	100,000	232,092.50	332,092.50
2014	105,000	226,492.50	331,492.50
2015	115,000	220,507.50	335,507.50
2016	120,000	213,895.00	333,895.00
2017	125,000	206,875.00	331,875.00
2018	135,000	199,062.50	334,062.50
2019	145,000	190,625.00	335,625.00
2020	150,000	181,562.50	331,562.50
2021	160,000	172,187.50	332,187.50
2022	170,000	162,187.50	332,187.50
2023	180,000	151,562.50	331,562.50
2024	195,000	140,312.50	335,312.50
2025	205,000	128,125.00	333,125.00
2026	220,000	115,312.50	335,312.50
2027	230,000	101,562.50	331,562.50
2028	245,000	87,187.50	332,187.50
2029	260,000	71,875.00	331,875.00
2030	280,000	55,625.00	335,625.00
2031	295,000	38,125.00	333,125.00
2032	315,000	19,687.50	334,687.50

* Paid from capitalized interest.

THE DISTRICT

Formation of the District

On September 19, 2001, the City Council adopted a Resolution of Intention to form a community facilities district under the Act, to levy a special tax and to incur bonded indebtedness for the purpose of financing the Improvements and making contributions to certain public facilities. After conducting a noticed public hearing, on February 6, 2002, the City Council adopted the Resolution of Formation, which established Crocker Ranch Community Facilities District No. 1, set forth the Special Tax Formula within the District and set forth the necessity to incur bonded indebtedness in a total amount not to exceed \$20 million. On February 6, 2002, an election was held within the District in which John Mourier Construction, Inc. and Mourier Land Investment Corp. (who were then the eligible landowner voters in the District) unanimously approved the proposed bonded indebtedness and the levy of the Special Tax. See "OWNERSHIP OF PROPERTY WITHIN THE DISTRICT" below.

Location and Description of the District and the Immediate Area

The District is located in the northwestern area of the City within a portion of the North Roseville Specific Plan area (described below), approximately 20 miles northeast of the Central business district of Sacramento. The area is generally bounded by the Highway 65 Bypass to the east, Blue Oaks Boulevard to the south, Fiddymont Road to the west, and the Placer County/Roseville City Limit line on the north. Blue Oaks Boulevard is a primary east-west traffic arterial which connects to State Highway 65 and ultimately to the Interstate 80 freeway system. Interstate 80 freeway is located approximately three miles southeast of the State Highway 65/Blue Oaks Boulevard junction and merges with State Highway 65 at an interchange system.

Property in the District and surrounding area is predominantly flat. Much of the area in this portion of the City has been experiencing a transition from largely undeveloped, agriculturally oriented uses toward a mixture of urban land uses, and this transition has particularly intensified during the past 10 years. The predominant approved suburban land use within the City limits in the vicinity of the District is singlefamily residential. The District is adjacent to recently constructed residential subdivisions to the south and east, including the Developer's recently sold-out Portofino and Barcelona subdivisions. New home construction and sales are still underway within the vicinity of the District, including in the Diamond Creek planned area to the east and in nearby subdivisions offered for sale by the Developer in the La Rochelle and Siena Woods subdivisions. Residential development in the Del Webb Specific Plan senior living development, which sold-out in 1999, lies immediately south of the District, and residential development built mostly in the past ten years as part of the Northwest Roseville Specific Plan lies immediately south and southeast of the District. The area north and west of the District is outside the City limits and is predominantly rural.

The land in the District is crossed by the Pleasant Grove Creek, which will provide a scenic corridor and open space amenity for certain residential lots. The Developer contemplates development south of Pleasant Grove Creek as the initial phase of development and the area north of the creek as the second phase. See "Anticipated Development in the District" below. The property in Zone 1 of the District is currently owned by a single home-developer entity, John Mourier Construction, Inc. and the remaining property in Zone 2 is owned by the affiliated Mourier Land Investment Corporation. The Developer plans to develop a portion of the Zone 1 property and expects to sell lots to a merchant builder in April 2002.

The District comprises approximately 247.5 net developable acres zoned for low-density residential development of 1,121 residential units. However, the Developer currently

intends that only 1,095 units will be built, all in accordance with the North Roseville Specific Plan and a Development Agreement (described below). The District also includes land planned for parks and open space (representing 73.5 acres) which will not be subject to the Special Tax.

The District represents only a portion of the North Roseville Specific Plan area, being a portion of Phase 2 and all of Phase 3 of the specific plan area. The specific plan area was amended in September 2000 to include a portion of the property in the District as Phase 3 of the specific plan area. This Phase 3 area, referred to by the Developer as the "Doctor's Ranch," was recently annexed to the City. The North Roseville Specific Plan area permits the development of a total of 5,644 dwelling units (including 4,144 low-density single family units) on approximately 1,552 net acres. As of the end of September 2001, approximately 1,675 single family units were completed or under construction in the specific plan area, with none in the District.

North Roseville Specific Plan. The District constitutes a portion of Phase 2 and all of Phase 3 of the three-phase North Roseville Specific Plan, as amended (the "**North Roseville Specific Plan**"), which was adopted by the City Council on August 6, 1997 by Resolution No. 97-213, and subsequently amended. The City, as a charter city, has adopted the North Roseville Specific Plan by a procedure that is consistent with its General Plan and with the provisions of Article 8, Sections 65450 through 65457 of Title 7 Planning and Land Use Law, California Government Code. All projects within the planning area (including subdivisions, use permits, design-review permits and public-works projects) must be consistent with the North Roseville Specific Plan and the City General Plan.

The North Roseville Specific Plan area includes all properties in the north and west side of the City which at the time of its adoption was not zoned for urban use or previously included in a specific plan. The plan designates a 738-net acre Phase 1 land area as Neighborhood A and Neighborhood B and a 654-net acre Phase 2 land area as Neighborhood C and Neighborhood D. Phase 1, Neighborhood A and B and Phase 2, Neighborhood C are separated from Neighborhood D by the recently completed Del Webb residential project. The most recent amendment added a 160-net acre Phase 3 area, designated as Neighborhood E. Property in the District constitutes all of Neighborhood E and a portion of Neighborhood C. Neighborhoods A, B and D are currently undergoing development and include many recently completed homes, which are subject to a special tax of the City's Woodcreek West or North Roseville community facilities districts. Property in the North Roseville Specific Plan designated for residential use is owned by various developers, including the Developer, with homes completed and in various stages of development. Property in the District is expected to be the final area of development within the North Roseville Specific Plan.

The North Roseville Specific Plan combines a land use and circulation plan, affordable housing program, resource management strategy, development standards and an integral, comprehensive infrastructure plan in a single document and provides for a mix of residential neighborhoods (including in Phase 1 a retirement community planned for attached dwelling units, assisted living units and skilled nursing facilities), schools, parks, and supporting commercial land uses located adjacent to a major regional employment center. The proposed land uses are predominantly residential, with 5,644 units planned, recreational and open space. The plan also includes approximately 120 acres of sites for retail and professional services, including specialty retail, restaurants, and office uses overlooking the natural creeks adjacent to parks.

Development within the North Roseville Specific Plan area is proceeding in three phases, matching the entitlement phases of the respective phases. Phase 1 improvements began in the spring of 1999 with the initial construction of the infrastructure improvements within the North Roseville Specific Plan Phase 1 entitlement. A portion of the cost of the infrastructure

improvements was financed by special tax bonds issued in connection with the Woodcreek West and North Roseville community facilities districts formed by the City. Under the specific plan, Phase 1 was approved for a maximum of 2,509 dwelling units including a maximum of 400 attached housing units proposed to be developed in the Eskaton Village senior living campus, supporting a forecasted population of approximately 5,868 residents. Phase 2 is planned for 2,466 units, of which 452 are in the District and Phase 3 is planned for 669 units, all of which are in the District.

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

Maps. A map of the major planning areas of the City, an aerial photo of the area, the North Roseville Specific Plan land use map, diagrams of the parcels in the District and the boundary map of the District are shown on the following pages. In the aerial photo, the areas designated "Doctor's Ranch" and "Mourier 160" collectively represent the District. The parcel diagram of the District indicates 1,098 lots allowed for development, however the Developer currently contemplates only 1,095.

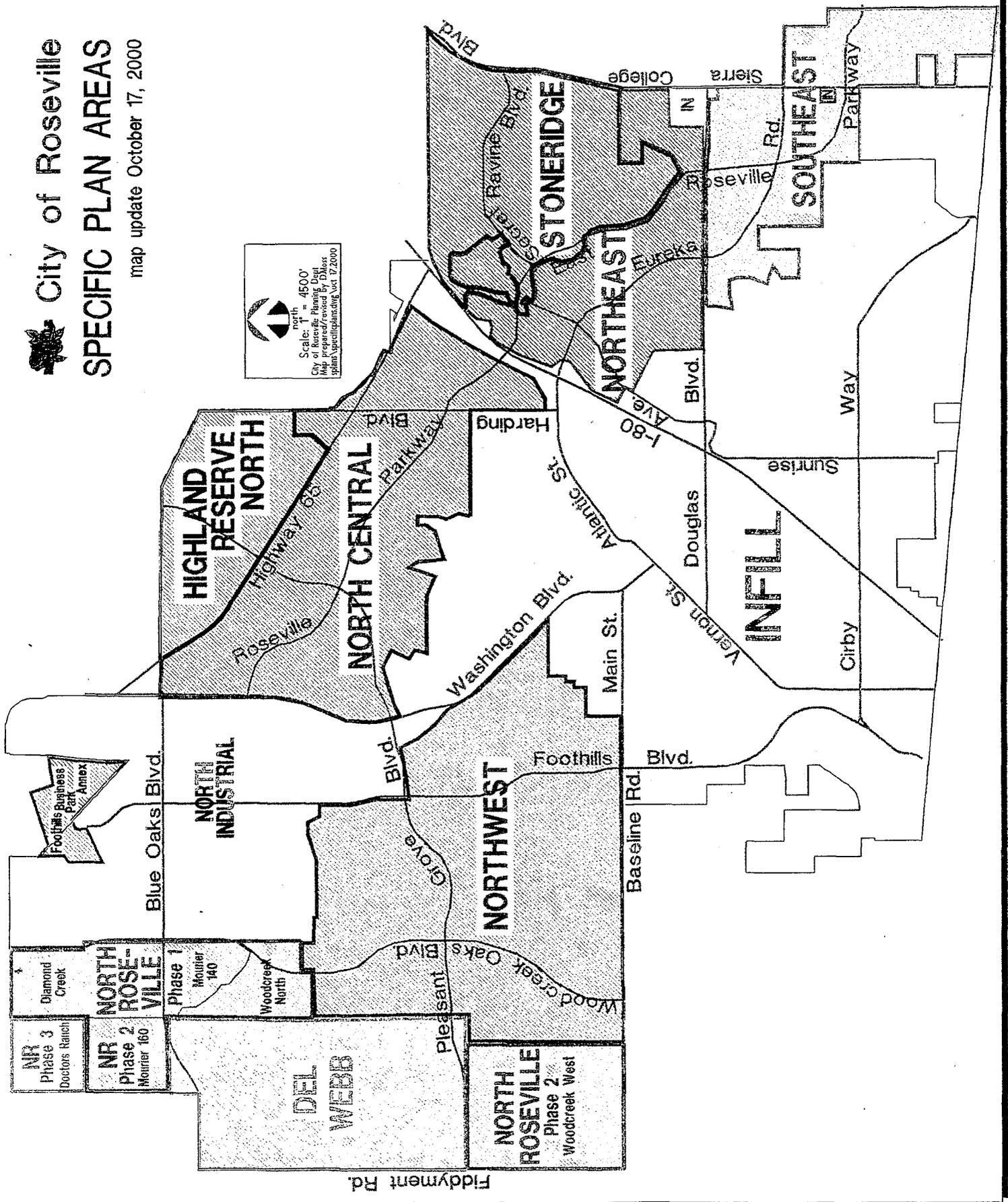


City of Roseville

SPECIFIC PLAN AREAS

map update October 17, 2000

Scale: 1" = 4500'
 City of Roseville Planning Dept.
 Map prepared/revised by DM/ast
 Update specificplans.dwg Oct 17, 2000



Placer County
Roseville City Limits

FIDDYMENT ROAD

DOCTORS RANCH

PARK

MOURIER 160

Park and Open Space

Pleasant Grove Creek

DOCTORS RANCH

DIAMOND CREEK

ESKATON

BLUE OAKS BLVD

MOURIER 140

WOODCREEK OAKS BLVD (prop.)

Pleasant Grove Creek

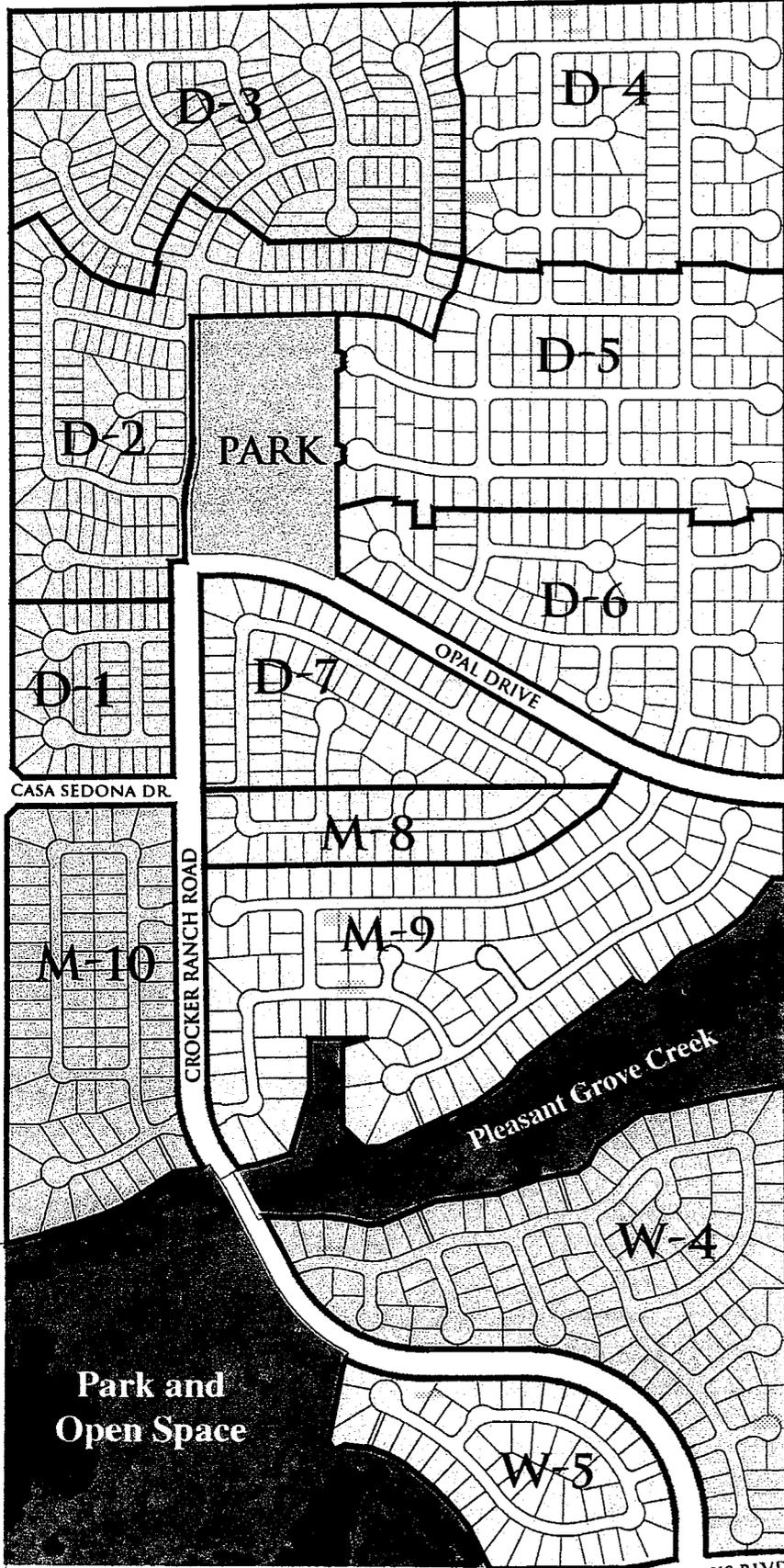
North Roseville Specific Plan Area

WOODCREEK NORTH

HEWLETT PACKARD

DEL WEBB SPECIFIC PLAN

FIDDYMENT ROAD



LOT SUMMARY TABLE

Parcel	Parcel Area	DU	Typical lot size Width Depth Area	Average Lot Size (sf)
D-1	7.38	45	45±x100±=4500±	5,800
D-2	21.63	136	45±x100±=4500±	5,607
D-3	27.60	158	45±x100±=4500±	6,277
D-4	22.43	96	60±x110±=6600±	8,198
D-5	26.86	118	60±x110±=6600±	7,894
D-6	21.38	91	60±x110±=6600±	8,193
D-7	14.65	67	60±x110±=6600±	7,949
M-8	7.35	33	60±x110±=6600±	7,729
M-9	32.62	119	70±x110±=7700±	10,209
M-10	18.30	71	65±x110±=7150±	9,530
W-4	29.202	116	70±x105±=7350±/-	8,501
W-5	12.168	48	65±x105±=6825±/-	8,505
Total 1098 Units				



CROCKER RANCH

OLD WORLD AMBIANCE. NEW WORLD LUXURY

Park and
Open Space

BLUE OAKS BLVD

Anticipated Development in the District

The Developer has provided the following information with respect to development within the District. No assurance can be given that all information is complete. No assurance can be given that development of the property will be completed, or that it will be completed in a timely manner. Since the ownership of the parcels is subject to change, the development plans outlined below may not be continued by the subsequent owner if the parcels are sold, although development by any subsequent owner will be subject to the North Roseville Specific Plan, the Development Agreement and the policies and requirements of the City. No assurance can be given that the plans or projections detailed below will actually occur.

Development within the District is anticipated by the Developer to be consistent with the North Roseville Specific Plan Phase 2 and Phase 3 land uses, which primarily consist of low density residential neighborhoods and, to a lesser extent, supporting uses such as parks, recreation, open space and supporting neighborhood land uses. Permitted land uses are configured to reinforce the neighborhood identity and sense of community.

The Developer is a homebuilder and will construct a substantial number of the homes planned for the District, although an undetermined number of finished and/or mapped lots are expected to be sold to other homebuilders for development. The Developer has not been actively marketing lots to other builders and currently has not determined the extent to which it may sell a portion of the property to others for development, however several developers have inquired about the availability of lots for sale by the Developer, and the Developer and JTS Communities, Inc., a local homebuilder, have entered into an option agreement for sale of Parcel W-4 (112 lots) which is expected to close in mid-April 2002. This and possibly sales of other finished and/or mapped lots to merchant builders may occur.

Entitlements. Property within the District has land-use entitlements for 1,121 single family residences consistent with the zoning designations of the North Roseville Specific Plan, however, the Developer anticipates reconfigurations of some proposed lots and contemplates development of 1,095 homes in the District. The entitlements permit a development proposal related to a particular parcel to proceed through tentative map subdivision and design-review permitting processes to final mapping provided the development application is in accord with the entitlements and the final map conditions. See "Development Agreement" below. The Developer has begun the mapping process and obtained final maps for the first 160 units to be developed. See "Subdivision Maps" below.

Anticipated Subdivisions. The Developer initially planned land in the District for 1,098 single family lots and currently proposes, among other minor changes, to reduce the number of homes to be built on Parcel W-4 from the originally planned 115 to 112 to allow for larger lot sizes, resulting in the development of 1,095 homes. The current lotting plan is as follows (park and open space parcels are not subject to the Special Tax):

TABLE 3
City of Roseville
Crocker Ranch Community Facilities District No. 1
Summary of Proposed Land Uses

<u>Parcel</u>	<u>Land Use</u>	<u>Density</u>	<u>Acres</u>	<u>Units</u>
<u>Zone 1</u>				
W-4	Low Density Resid.	4.1	30.2	112
W-5	Low Density Resid.	3.6	13.7	48
<u>Zone 2</u>				
W-1	Low Density Resid.	4.1	12.2	35
W-2	Low Density Resid.	6.2	8.4	36
W-3A	Low Density Resid.	3.6	30.9	112
W-3B	Low Density Resid.	3.6	10.3	36
DR-1	Low Density Resid.	6.4	7.4	45
DR-2	Low Density Resid.	5.4	14.6	72
DR-3	Low Density Resid.	4.3	70.6	306
DR-4	Low Density Resid.	4.6	<u>49.2</u>	<u>293</u>
SUBTOTAL			247.5	1,095
Non-Taxable	Parks		22.4	
Non-Taxable	Open Space		35.6	
Non-Taxable	Right of Ways		<u>15.5</u>	
SUBTOTAL			<u>73.5</u>	_____
TOTAL			321.0	1,095

Subdivision Maps. The Developer has obtained approved final maps for the initial 160 lots planned to be developed in the District. These lots are all of the lots planned for the parcels designated as W-4 and W-5 in the North Roseville Specific Plan Phase 2 and constitute all of the Zone 1 property in the Special Tax Formula. The Developer anticipates obtaining an approved tentative map from the City for the remainder of the property in the District by the summer of 2002. Final maps will be obtained as needed for the start of construction of various areas in the District.

Projected Construction Schedule. Construction of infrastructure improvements, which include all of the Improvements to be financed with proceeds of the Bonds, for the initial 160 homes to be developed in the District is substantially complete and construction of homes is anticipated to begin in spring 2002, commencing with construction of a model complex and the initial release of production homes. Thereafter, the pace of construction will be determined in part by market conditions and demand for homes. All of the 48 homes planned for Parcel W-5 are planned to be built and sold by the Developer, and the 112 lots comprising Parcel W-4 are currently the subject of an option agreement with JTS Communities, Inc., a local homebuilder. The Developer has sold land similar to those planned for the District in the Developer's 140-acre initial Crocker Ranch master planned community approximately 1/10 mile from the District. That community comprises the "Barcelona," "La Rochelle," "Portofino" and "Siena Woods" subdivisions, where home sizes range from 1,171 to 3,821 square feet. The Barcelona (1,171 to 2,790 square feet) and Portofino (1,460 to 2,166 square feet) subdivisions were recently sold-out. Marketing of homes in the La Rochelle (2,140 to 3,821 square feet) and Siena Woods (2,059 to 3,089 square feet) subdivisions are currently underway, with 87 of the 162 homes in those subdivisions sold as of April 2002. Based on absorption in these nearby subdivisions, the Developer currently projects sales of 5-8 homes per month for the Zone 1 area in the District.

The Developer is currently expecting to begin construction of the infrastructure improvements, including the remainder of the Improvements, for the Zone 2 area (the area north of Pleasant Grove Creek planned for 935 units) in spring of 2002 with completion by the spring of 2003. Development of a portion of this area is likely to occur simultaneously with development in the Zone 1 (south of the creek) area. The actual construction schedule will be determined in part by market demand. The Developer anticipates acquiring parcels from Mourier Land Investment Corporation and building homes in a substantial portion of the Zone 2 area.

Option to Merchant Builder. In August 2001 the Developer entered into an option agreement with JTS Communities, Inc. If the option is exercised, the agreement provides for closing of the sale of the property in mid-April 2002. Parcel W-4 in the District, planned for 112 single family lots, is currently the subject of the option. JTS Communities, Inc. is a homebuilder with many projects under construction in the Sacramento area and has entered into the option agreement with the intention of building and selling homes to homeowners. See "OWNERSHIP OF PROPERTY WITHIN THE DISTRICT – JTS Communities, Inc." below.

Infrastructure and Utilities. Substantially all of the Improvements necessary for development of the 160 units south of Pleasant Grove Creek have been recently completed by the Developer. This includes finished roadway improvements consisting of Crocker Ranch Road from Blue Oaks Boulevard to the planned future bridge crossing the creek, as well as frontage improvements along a portion of Blue Oaks Boulevard. Roadway improvements generally include water, sewer, drainage, concrete curb, gutter and paving and all of the relevant utilities. Such improvements provide access to the villages within the District.

Total basic (sometimes referred to as "backbone") infrastructure cost for development in the entire District is estimated to be approximately \$12.4 million with another approximate \$5 million of required obligations such as fees, and contributions. The Developer is responsible for the construction of the infrastructure improvements and other costs. The portion of the Improvements which comprise the Zone 1 backbone infrastructure is substantially complete and Bond proceeds will be used to reimburse the Developer upon acceptance of such Improvements by the City. It is anticipated that for Zone 1, approximately \$3.0 million for infrastructure and \$0.6 million for off-site contribution will be reimbursed from Bond proceeds. Surplus proceeds of the Bonds and proceeds of Additional Bonds are expected to provide additional funds for construction of the Improvements for the Zone 2 area of the project. See "THE IMPROVEMENTS - Construction and Acquisition of the Improvements and Payment of Fees" below. See also, "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Additional Bonds."

All typical urban utility services for finished lots are available at the lots or will be extended to the lots. These utilities include electric power, natural gas, telephone, cable television, water, and sanitary sewer and storm water facilities. Roseville Electric provides electric power, Pacific Gas & Electric provides natural gas, and the City provides water, sewer and storm water facilities.

Affordable Units. Under the Development Agreement, 28 of the residential units to be constructed in the District are to be available to buyers as detached or attached single family residential units affordable to persons in middle income households. The Developer is required to enter into an agreement with the City governing the availability of such units. The Developer anticipates that these units will be located on portions of Parcel No. DR-4 as units to purchase. The Special Tax Formula does not provide for any reduction in the Special Tax for units that are the subject of the affordable housing provisions.

Development Agreement

General. The City and the Developer entered into a Development Agreement dated September 22, 1999, as amended in a First Amendment dated July 25, 2001 (as amended, the "**Development Agreement**"). All of the property in the District is subject to the Development Agreement as well as the North Roseville Specific Plan, and was entered into in accordance with Sections 65864 through 65869.5 of the California Government Code, as implemented through Article V, Chapter 19.84 of the City's Zoning Ordinance No. 802. The Development Agreement is the primary implementation tool for the North Roseville Specific Plan and is intended to create a binding contract between the City and the Developer which sets forth the needed infrastructure improvements, park dedication requirements, timing and method for financing improvements and other specific performance obligations of the City and the Developer as such obligations relate to development of the property in the District, including the terms, conditions, rules, regulations, entitlements, vested rights and other provisions relating to the development of the property in the District according to the North Roseville Specific Plan entitlements. Included are provisions relating to infrastructure improvements, public dedication requirements, landscaping amenities and other obligations of the parties. The Development Agreement has a 20-year term, runs with the property, and may be modified only by mutual consent of the City and the Developer and in a manner consistent with the North Roseville Specific Plan. With the Development Agreement in place, subject to compliance with the terms of the Development Agreement, construction of homes within the District may occur upon City approval of subdivision maps, satisfaction of certain design requirements and conditions of such maps and issuance of building permits. The Development Agreement will be binding on the Developer and all successor owner-developers of property in the District.

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

Improvements. The Development Agreement sets forth the responsibility of the Developer and its successors for a portion of the costs of certain public improvements required for its development within the North Roseville Specific Plan area. Funding of the Improvements with Bond proceeds (and, if necessary, the pay-as-you-go mechanism) will satisfy a portion, but not all, of the relevant obligations of the District for infrastructure improvements required by the Development Agreement. The improvements not funded from Bond proceeds and pay-as-you-go will be funded by the Developer. See "THE IMPROVEMENTS" below.

Environmental Matters

Flood Hazard Map Information. According to the Federal Emergency Management Agency's flood insurance rate maps (Community-Panel Number 060243-0457F, with an effective date of July 8, 1998), the developable portions of the property in the District are located within Flood Zone X, described as areas of minimal flooding.

Wetland Conditions. According to the City's planning department, some jurisdictional wetlands will be affected by the development within the District, however the impact has been mitigated by the Developer.

Seismic Conditions. The property in the District is not located within a seismic special studies zone, designated by the California State Division of Mines and Geology, in accordance with the Alquist-Priolo Special Study Zone Act of 1972.

THE IMPROVEMENTS

Eligible Facilities

The proceeds of the Bonds will finance all of the Zone 1 public improvements eligible to be financed with the proceeds of the Bonds. Additional Bonds (to be issued in the future) will fund a portion of the Zone 2 improvements.

The Improvements eligible to be financed by the District are set forth in the Resolution of Intention and in the Community Facilities District Hearing Report (the "CFD Hearing Report") dated January 29, 2002 prepared by Economic & Planning Systems, Inc., Sacramento, California (the "Special Tax Consultant") in connection with the formation of the District.

The eligible Improvements authorized are described in the CFD Hearing Report as follows.

Transportation Improvements

Authorized facilities include the following transportation-related improvements:

- Blue Oaks Boulevard
- Crocker Ranch Road
- Fiddymment Road
- Casa Sedona Drive
- Opal Drive
- Other public roadway improvement required to meet the needs of the project

Eligible roadway improvements include; purchase of right of way; roadway design; project management; bridge crossings, demolition, grading and paving; joint trenches and underground utilities; curbs, gutters, and sidewalks (including sidewalks on some or all of above mentioned roads); street lights (including reimbursements to the City) and signalization; intersection improvements; signs and striping; soundwalls and fencing; and median and corridor landscaping related thereto.

Wastewater System Improvements

Authorized facilities include any and all wastewater facilities designed to meet the needs of development within Crocker Ranch CFD No. 1. These facilities include sewer improvements consistent with the Master Wastewater Plan.

Water System Improvements

Authorized facilities include any and all water facilities designed to meet the needs of development within Crocker Ranch CFD No. 1. These facilities include water distribution facilities including fire hydrants, and related water system improvements; pressure reducing stations, flow meters, and recycled water improvements. Landowner's fair share for the retrofit of water/irrigation system at Diamond Oaks Golf Course.

Drainage System Improvements

Authorized facilities include any and all drainage and storm sewer improvements designed to serve the needs of development within the CFD including, but

not limited to pipelines and appurtenances, temporary drainage facilities, detention basins, and drainage pretreatment facilities.

Electric Facilities

Authorized facilities include on-site and off-site electric distribution facilities.

Park Improvements

Authorized facilities include any and all improvements to park facilities located in the Phase II and Phase III of the North Roseville Specific Plan, including acquisition of property and the design and construction thereof.

Masonry Wall/Fencing

Authorized facilities include masonry wall fencing along the projects' northern boundary.

Contributions to City Projects

Authorized facilities include contributions to the following public improvements including but not limited to the following items:

- Construction of the Mahany Community Center and the off-site softball fields;
- Contributions to a transportation study of the Riverside/City intersection;
- Landowners fair share for the update of the City's Bikeway Master Plan and City's short Range and Long Range Transit Master Plans;
- Mahany Park facilities;
- Diamond Oaks Golf Course irrigation facilities;
- Other City park facilities; and
- Other Citywide facility contributions as specified in the Mourier 160 or Doctors Ranch Development Agreement(s) entered into by the Developer and the City of Roseville.

City and County Public Improvements

Public improvements, such as roadways, wastewater system improvements, sewer system improvements, public facility improvements and other capital improvements for which developer impact fees are payable to the City pursuant to approved ordinances or resolutions upon issuance of a building permit or upon final map approval for a single family residence within the CFD are authorized costs under the CFD.

Other Expenses

In addition to the above facilities, other incidental expenses as authorized by the Mello-Roos Community Facilities Act of 1982, including, but not limited to, the cost of planning and designing the facilities (including the cost of environmental evaluation and environmental remediation or mitigation); construction staking; utility relocation and demolition costs incident to the construction of the public facilities, cost associated with the creation of the Mello-Roos CFD; issuance of bonds; determination of the amount of taxes, collection of taxes; payment of taxes; or costs otherwise incurred in order to carry

out the authorized purposes of the CFD; reimbursements to other areas for infrastructure facilities serving the Crocker Ranch project; and any other expenses incidental to the construction, completion, and inspection of the facilities.

The Improvements are located both within and outside of the District, and are required for development within the District to proceed. The Improvements related to Crocker Ranch Road from Blue Oaks Boulevard to the future bridge crossing the creek have been completed. These roadway improvements generally include water, sewer, drainage, concrete curb, gutter and paving and all of the relevant utilities. Such Improvements will provide access to and infrastructure for the homes to be built in the District in Zone 1.

The roadway improvements and related facilities with respect to Zone 1 have been constructed by the Developer, who will convey those improvements to the City in return for reimbursement of a portion of their costs pursuant to a Funding, Construction and Acquisition Agreement, and for credits against certain impact fees intended to finance roadway improvements. The estimated cost of the backbone infrastructure and fees, contributions and CFD obligations needed for Zone 1 development (and assumed by the Appraiser to be complete for purposes of the Appraisal) is \$3.58 million (see "Estimated Cost of the Improvements" below). The Developer has expended this amount and anticipates a reimbursement from Bond proceeds upon issuance of the Bonds. The remaining Improvements for Zone 2 of the development will be constructed by the Developer as the need arises and will be financed by surplus proceeds of the Bonds and by Additional Bonds. See "Estimated Cost of the Improvements" and "Construction and Acquisition of the Improvements and Payment of Fees" below.

Estimated Cost of the Improvements

The total estimated construction cost of the Improvements for both Zone 1 and Zone 2, as shown in the CFD Hearing Report, is \$17,462,569. Approximately \$13.75 million of this total is projected to be financed by the Bonds and the Additional Bonds to be issued. The Zone 1 Improvements are substantially complete and will be reimbursed to the Developer from proceeds of the Bonds. The cost of the Zone 2 Improvements not financed by the Additional Bonds will be paid for by the Developer. See "OWNERSHIP OF PROPERTY WITHIN THE DISTRICT" below for a description of sources of funding available to the Developer.

TABLE 4
Crocker Ranch Community Facilities District No. 1
Summary of Authorized Facilities and Estimated Cost

Item	Total	Phase I Facilities	Phase II Facilities
Facility Costs ⁽¹⁾			
Backbone Infrastructure	\$12,379,030	\$3,005,114	\$ 9,373,916
Project-wide CFD Obligations/Contributions ⁽²⁾	<u>3,383,539</u>	<u>575,719</u>	<u>2,807,820</u>
Total Facil. Costs Before Impact/Devm't Fees	\$15,762,569	\$3,580,833	\$12,181,736
Bond Funded Fees	<u>1,700,000</u>	—	<u>1,700,000</u>
Total Authorized Facilities	<u>\$17,462,569</u>	<u>\$3,580,833</u>	<u>\$13,881,736</u>
Funding Sources			
Estimated CFD Bonds Proceeds	\$13,750,833	\$3,580,833	\$10,170,000
Developer Funding or Other Sources ⁽³⁾	<u>3,711,736</u>	—	<u>3,711,736</u>
Total Funding Sources	<u>\$17,462,569</u>	<u>\$3,580,833</u>	<u>\$13,881,736</u>

⁽¹⁾ Provided by the Developer.

⁽²⁾ As required by the Development Agreement.

⁽³⁾ Other sources include a) initial Developer funding with reimbursement from pay-as you go revenues, b) pay-as-you-go revenue during construction, and c) interest earnings on construction fund.

Source: CFD Hearing Report.

The Special Tax Formula provides that the funding of Improvement costs can also be made from collections of the Special Tax available as the "pay-as-you-go" component of Special Taxes. The pay-as-you-go funding component could provide for funding of the cost of the Zone 2 Improvements in excess of the amount provided from Additional Bond proceeds (if such proceeds are not sufficient) through annual Special Tax collections in excess of the amount needed to pay the debt service. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Special Tax Methodology" and " – Special Tax Fund."

Construction and Acquisition of the Improvements and Payment of Fees

The City and John Mourier Construction, Inc. have entered into a Funding, Construction and Acquisition Agreement (the "Acquisition Agreement") which provides that the Developer will construct (or cause to be constructed or funded) the portion of the Improvements consisting of roadways and related facilities, and the City, upon completion of construction and acceptance by the City, will purchase the Improvements. Upon completion of the Improvements and acceptance by the City, proceeds of the Bonds and Additional Bonds will be used to pay a portion of the purchase price of the Improvements pursuant to the terms of the Acquisition Agreement. The Developer will be responsible for the portion of the cost of construction of the Improvements not paid with Bond and Additional Bonds proceeds. A portion of Bond proceeds will also be used to pay certain development fees, obligations or contributions which will be used by the City to construct or acquire certain components of the Improvements.

Substantially all of the Zone 1 Improvements to be constructed by the Developer and financed with proceeds of the Bonds have been completed by the Developer and will be eligible to be acquired by the City pursuant to the Acquisition Agreement upon issuance of the Bonds. Additional Improvements, primarily to serve property in Zone 2 of the District, will be constructed in the future and financed in part with proceeds of Additional Bonds. The portion of certain development fees, obligations or contributions financed from Bond proceeds in

connection with development in Zone 1 have also been paid by the Developer and will be eligible for reimbursement to the Developer upon issuance of the Bonds.

OWNERSHIP OF PROPERTY WITHIN THE DISTRICT

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

The Developer, its affiliate, and JTS Communities, Inc. have provided the information set forth in this section entitled "OWNERSHIP OF PROPERTY WITHIN THE DISTRICT." No assurance can be given that all information is complete. In addition, any Internet addresses included below are for reference only, and the information on those Internet sites is not a part of this Official Statement or incorporated by reference into this Official Statement.

No assurance can be given that development of the property will be completed, or that it will be completed in a timely manner. The Special Taxes are not personal obligations of the Developers or of any subsequent landowners; the Bonds are secured only by the Special Taxes and moneys available under the Fiscal Agent Agreement. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" and "SPECIAL RISK FACTORS" herein.

The Developer

All of the land within the District is currently owned by John Mourier Construction, Inc. ("JMC", also the "Developer") or its affiliate, Mourier Land Investment Corporation. Mourier Land Investment Corporation is 100% owned by its president, John Mourier ("Mourier") and acquires and holds real properties as long-term investments. JMC is a development and homebuilding entity and is referred to herein as the "Developer." Parcel W-4 in the District is currently the subject of an option to purchase given to JTS Communities, Inc. . The Developer expects that the option will be exercised, and the agreement provides for closing of the sale of the property in mid-April 2002. For information on JTS Communities, Inc., see "JTS Communities, Inc." below.

Ownership and Financing Structure. John Mourier has been doing business in the greater Sacramento area as a homebuilder since 1974 and incorporated his homebuilding business as JMC in 1978. JMC is 100% owned by John Mourier, who is president. The company typically has over 200 employees and had average annual home sales volume in excess of \$110 million for the past four years. JMC is currently ranked nationally as the 141st largest homebuilder by the *Professional Builder Magazine* and locally as the 7th largest homebuilder by the *Sacramento Business Journal*. The Company has completed over 4,000 homes in the Sacramento area and builds approximately 550 homes annually. JMC reports that it has received several industry awards including "Builder of the Year", "Best Single Family Home Project of the Year", and "Best Energy Efficient Project of the Year."

Current projects for JMC include Provance at Empire Ranch in Folsom, California (89 lots), the initial portion of Crocker Ranch (outside of the District)(380 lots), The Courtyards in the Natomas Park area of the City of Sacramento (115 lots), The Arias at Gateway West in North Natomas in the City of Sacramento, California (88 lots), the following projects in Elk

Grove, California: Country Estates (40 lots), Silver Legends (103 lots), Aviano at Stonelake (110 lots) and Parkside at Stonelake (126 lots), and Highland Ranch in Rocklin, California (216 lots).

JMC has an internet home page located at www.jmchomes.com. The website address is given for reference and convenience only. The information on the website may be incomplete or inaccurate and has not been reviewed by the City or the Underwriter. Nothing on the website is a part of this Official Statement or incorporated into this Official Statement by reference.

Recent projects completed or under construction by JMC in California (not including the 380-lot initial development in Crocker Ranch but outside of the District) include the following:

<u>Project Name</u>	<u>City</u>	<u>No. of Lots</u>	<u>Status</u>
Laguna Park	Elk Grove	125	completed
The Vineyards	Elk Grove	91	completed
Heritage at Diamond Oaks	Roseville	71	completed
The Crossing	Rocklin	87	under construction
Symphony	Roseville	84	under construction
Windsong	Roseville	105	under construction

In fiscal year 2001, JMC closed a total of 561 homes in the Sacramento, California area, including in Roseville. JMC plans to build over 600 homes in fiscal year 2002.

JMC and its affiliates have invested approximately \$13.6 million to date on property in the District. Mourier Land Investment Corporation purchased the properties for approximately \$11.7 million in 1998 and 2001; the balance of its investment has been cash used for holding and entitlement costs with respect to the property. The investment was funded through cash flow generated by capital contributions and by other business operations of JMC. In May 2001 JMC acquired parcels W-4 and W-5 from Mourier Land Investment Corporation for cash and notes secured by first deeds of trust against the acquired properties. The current outstanding balances total \$5.7 million. A portion of the remaining properties is collateral for a \$9 million line of credit for Mourier Land Investment Corporation with Housing Capital Company, of which approximately \$3 million is outstanding. Housing Capital Company is a Minnesota general partnership that has DFP Financial, Inc., a California corporation, as its managing general partner. Its other partner is U.S. Bank. Housing Capital Company is located in California and has its headquarters in San Mateo and has offices in Fresno and Costa Mesa.

Financing Plan. The development of the residential parcels, the in-tract developments, home construction and the payment of the Special Taxes will primarily be funded from the cash flows of JMC's homebuilding operations and advances from its existing banking arrangements, including lines of credit with Wells Fargo Bank, Sacramento, California and Comerica Bank, Sacramento, California. Both Wells Fargo Bank and Comerica have provided JMC with lines of credit (secured and unsecured) on 2-year rolling loan terms collectively in excess of \$41.5 million for use in JMC's business activities.

Future cash flow needs also will include general and administration costs, property taxes, the Special Taxes, and parcel-specific costs such as engineering and legal expenses, remaining in-tract improvements and construction of homes. These costs are anticipated to be funded from the revolving lines of credit, proceeds from the sale of homes and internal funds.

Set forth below is JMC's estimate of the projected cash flow (over the next few years) attributable to development and sales of the property within the Zone 1 area of the District. *These projections were prepared by JMC for internal planning purposes. No assurance is given that these projections can or will be met.*

**Crocker Ranch Community Facilities District No. 1
JMC Projected Land Sale Proforma – Zone 1 Property Only**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Number of Home Closings	12	36	-	-
No. of Acres Sold	13.7	-	-	-
Proceeds from Land Sale	\$11,120,000	\$ 170,000	\$ 170,000	\$ 130,000
Proceeds from New Home Sales	<u>4,060,000</u>	<u>12,180,000</u>	<u>-</u>	<u>-</u>
Total Est. Proceeds	<u>15,180,000</u>	<u>12,350,000</u>	<u>170,000</u>	<u>130,000</u>
Remaining Lot Development	300,000	-		
House Construction	1,800,000	5,400,000		
Bond Special Taxes	20,000	50,000		
Model Home/Marketing	84,000	84,000		
Property Taxes	<u>60,000</u>	<u>40,000</u>	<u>0</u>	<u>0</u>
Total Cash Disbursements	<u>2,264,000</u>	<u>5,574,000</u>	<u>0</u>	<u>0</u>
Est. net cash flow before income taxes and payment of affiliate indebtedness ⁽¹⁾	<u>\$12,916,000</u>	<u>\$6,776,000</u>	<u>\$170,000</u>	<u>\$130,000</u>

⁽¹⁾ Excludes note indebtedness between JMC affiliates.
Source: The Developer.

JTS Communities, Inc. JTS Communities, Inc. ("JTS Communities") is a California corporation formed in 1999 that is wholly owned by Jack T. Sweigart and Larry A. Carter. JTS Communities was formed as a corporate successor to the homebuilding business carried out by J&L Properties, a California general partnership formed in 1978 that is controlled by Mr. Sweigart and Mr. Carter. Prior to 1978, Mr. Sweigart and Mr. Carter operated independently as homebuilders in the Sacramento area. JTS Communities, Inc. and its predecessors have been in the homebuilding business for over 30 years and have built over 10,000 homes during that time. JTS Communities had approximately \$125 million in home sales for fiscal year 1999 and an average homes sales volume of over \$70 million per year over the past four years. J&L Properties has completed over 12,500 homes in the Sacramento area, and approximately 400 homes annually. The company currently employs over 400 people at various locations in the Sacramento area, including at the sites of 13 subdivisions where it currently is constructing and selling homes.

Other projects recently sold out or currently underway by JTS Communities include Roseville Point, a 289-lot development in Roseville, California, Laguna Pointe, a 201-lot development in Elk Grove, California, Lakeside Pointe, a 91-lot development in Elk Grove, California, Inspirations at Laguna West, a 103-lot development in Elk Grove, California, Park Place, a 156-lot development in Folsom, California, Silver Springs, a 200-lot development in Elk Grove, California, The Waterfront, a 153-lot development in Elk Grove, California, Veranda, a 132-lot development located at Natomas Park in Sacramento, California, and Olympus Pointe, a 127-unit singlefamily development in Roseville, and Promenade, a 138-unit single family development in West Sacramento, California. JTS Communities has an internet home page located at www.jtscommunities.com. The website address is given for reference and

convenience only, the information on the website may be incomplete or inaccurate and has not been reviewed by the City or the Underwriter. Nothing on the website is a part of this Official Statement or incorporated into this Official Statement by reference.

APPRAISAL OF PROPERTY WITHIN THE DISTRICT

The Appraisal

General. Seevers Jordan Ziegenmeyer, Roseville, California (the "Appraiser") prepared an appraisal report with a date of value of October 12, 2001 (the "Original Appraisal"), as updated by an Appraisal Update Report dated February 25, 2002 (the "Update Report" and, collectively, the "Appraisal"). The Update Report reaffirms the original value estimates for the property contained in the Original Appraisal, and states that the estimated value of the taxable land within the District as of February 25, 2002 is not less than the value set forth in the Original Appraisal. The Appraisal was prepared at the request of the City.

Excerpts from the Appraisal are set forth in APPENDIX B hereto. The description herein of the Appraisal is intended for limited purposes only; the Appraisal should be read in its entirety. The complete Appraisal is on file with the City and is available for public inspection at the City offices at 311 Vernon Street, Roseville California 95678 or from Stone & Youngberg LLC, 50 California Street, San Francisco, California 94111. The conclusions reached in the Appraisal are subject to certain assumptions and qualifications which are set forth in the Appraisal.

Value Estimates. The Appraisal valued the fee simple estate of the taxable property in the District. The valuation assumes completion only of infrastructure funded by the Bonds and not the infrastructure to be funded by the Additional Bonds contemplated to be issued, accounts for the impact of the lien of the Special Tax and represents the bulk sale discounted value of all the land in the District. The property appraised excludes property in the District designated for public and quasi public purposes. The value estimate for the property as of the February 25, 2002 date of value, using the methodologies described in the Appraisal and subject to the limiting conditions and special assumptions set forth in the Appraisal, and based on the ownership of the property as of February 25, 2002 is \$37,535,000.

The appraisal methodology used in the Appraisal is based on the subdivision development approach, which utilizes the sales comparison approach to estimate the aggregate value for the property's various land components. The aggregate value estimate is then integrated into the discounted cash flow portion of the subdivision development approach. The approaches to value were conducted as set forth below.

Aggregate Value. The retail value for the property represents estimates of what an end user would pay for a finished property under the condition requisite to a fair sale. The Appraiser considered property finished if it were in a state where it could be purchased and then or shortly thereafter be fully developed, with all major infrastructure in place (for south of the Pleasant Grove Creek only), the subdivision map ready for final approval, and the in-tract improvements able to be completed shortly. The aggregate retail value is the sum of the retail values for the applicable property groupings. This value estimate excludes all allowances for carrying costs and is not equal to the market value of all the subject properties.

Market Value, Bulk Value. The bulk sale value represents the most probable price, in a sale of certain parcels within District, to a single purchaser or sales to multiple buyers, over a reasonable absorption period discounted to present value. The discounted value of the property represents the market value of the property in the District.

The undertaking of the Update Report was not to re-appraise the property, but rather to reaffirm the value estimates shown in the Original Appraisal as the "benchmark" value. Thus, the estimated value in the Original Appraisal and in the Update Report is the same, although improvements to portions of the property were completed as of the date of the Update Report.

Assumptions and Limiting Conditions. In considering the estimate of value evidenced by the Appraisal, the Appraisal is based upon a number of standard and special assumptions which affect the estimates as to value, some of which include the following. See "APPENDIX B – EXCERPTS FROM THE APPRAISAL."

- The value estimates assume the completion only of the public facilities to be financed by the Bonds (and not the Additional Bonds) and account for the impact on value of the lien of the Special Tax securing the Bonds (and not the Additional Bonds).

- As of the October 12, 2001 date of value in the Original Appraisal, only a small amount of the construction work for the Improvements south of the Pleasant Grove Creek had been completed. The Update Report of February 25, 2002 noted that a substantial amount of the first phase Improvement work had been completed since the original October 12, 2001 date of value. Both the Original Appraisal and the Update Report assumed that the infrastructure to be financed by the Bonds (but not any Additional Bonds) was in place and available for use.

- The Appraiser has also assumed that there is no hazardous material on or in the property that would cause a loss in value. Should future conditions and events reduce the level of permitted development or delay the completion of any projected development, the value of the undeveloped land would likely be reduced from that estimated by the Appraiser. See "APPENDIX B — EXCERPTS FROM THE APPRAISAL" hereto for a description of certain assumptions made by the Appraiser. Accordingly, because the Appraiser arrived at an estimate of current market value based upon certain assumptions which may or may not be fulfilled, no assurance can be given that should the parcels become delinquent due to unpaid Special Taxes, and be foreclosed upon and offered for sale for the amount of the delinquency, that any bid would be received for such property or, if a bid is received, that such bid would be sufficient to pay such delinquent Special Taxes.

- The land in the District is entitled for 1,099 residential lots and the Original Appraisal assumed that the property would be subdivided into 1,098 lots. As of the date of the Update Report, the Developer anticipated Parcel W-4 would be reduced from 116 lots to 112 to accommodate larger lot sizes, for a currently projected total of 1,095 residential lots in the District. In the Update Letter, the Appraiser indicated that the valuation indicated in the Original Appraisal is unchanged notwithstanding this foreseeable reduction of the total number lots for development.

Projected Absorption Period. The Appraisal estimated that the absorption period for the property in the initial phase of the development of the District (Units W-4 and W-5, totaling 164 lots) will sell in year one of an absorption period. The Appraiser estimates that the remaining lots will be absorbed in order of their geographic location in relation to the infrastructure improvements and that the absorption rate will ultimately be affected by the progress of completing the infrastructure, as well as the market demand at that point in time, and for purposes of the analysis presented in the Appraisal, the Appraiser evenly distributed the absorption of the approximate 935 lots to be created in Zone 2 north of Pleasant Grove Creek at approximately 312 lots per year.

Limitations of Appraisal Valuation. Property values may not be evenly distributed throughout the District; thus, certain parcels may have a greater value than others. This disparity is significant because in the event of nonpayment of the Special Tax, the only remedy is to foreclose against the delinquent parcel.

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

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

Value to Special Tax Burden Ratios

The Appraisal sets forth the estimated bulk sale discounted value, subject to the Special Tax lien, of all taxable property within the District to be \$37,535,000 subject to the limiting conditions stated therein. (See "The Appraisal" above and Appendix B hereto.) The principal amount of Bonds is \$4,525,000 and there is an overlapping lien of \$34,557 (the "**Overlapping Debt**"). Consequently, the estimated bulk sale discounted value, subject to the Special Tax lien, of the real property within the District, is approximately 8.2 times the principal amount of the Bonds and the other Overlapping Debt. The maximum authorized principal amount of bonds to be secured by the Special Tax in the District is \$20,000,000, and the City and the Developer contemplate that additional bonds will be issued. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Additional Bonds."

Property in the District is also subject to an annual maintenance special tax of \$226 per unit, subject to escalation. See "Overlapping Liens and Priority of Lien" below.

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

Other public agencies whose boundaries overlap those of the District could, without the consent of the City and in certain cases without the consent of the owners of the land within the District, impose additional taxes or assessment liens on the land within the District. The lien created on the land within the District through the levy of such additional taxes or assessments may be on a parity with the lien of the Special Tax. In addition, construction loans may be obtained by the Developers or home loans may be obtained by ultimate homeowners. The deeds of trust securing such debt on property within the District, however, will be subordinate to the lien of the Special Tax.

Overlapping Liens and Priority of Lien

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

Property in the District is currently subject to certain overlapping tax and assessment liens in the total amount of \$34,557, as shown in the overlapping debt statement below.

The property in the District is also subject to the special tax of an additional community facilities district for services known as the Crocker Ranch Community Facilities District No. 2 Services District. This district encompasses the same boundaries as the District. The principal purpose of this district is to maintain certain portions of the landscaping located within the roadway corridors. This district is not authorized to issue bonds. The special tax levy of this district, the proceeds of which will be used to fund annual maintenance expenses of the landscaping, will be on a parity to the lien securing the Special Tax. The maximum annual special tax for this community facilities district is currently \$226 per single family residential parcel. The maximum annual tax may escalate by no more than 4% annually.

The property is not subject to any other special tax or assessment liens (other than the lien of the Special Tax).

There can be no assurance that the Developer, its affiliates or any subsequent owner will not petition for the formation of other community facilities districts and improvement areas or for a special assessment district or districts and that parity special taxes or special assessments will not be levied by the County or some other public agency to finance additional public facilities, however no other special districts are currently contemplated by the City or the Developer.

Private liens, such as deeds of trust securing loans obtained by the Developer, may be placed upon property in the District at any time. Under California law, the Special Taxes have priority over all existing and future private liens imposed on property subject to the lien of the Special Taxes.

Overlapping Debt

The following table shows direct and overlapping debt affecting property in the District.

**Crocker Ranch Community Facilities District No. 1
Overlapping Debt Table**

2001-02 Assessed Valuation: \$5,443,002

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 4/1/02</u>
Roseville Joint Union High School District	0.047%	\$20,284
Roseville City School District	0.093	14,273
City of Roseville Crocker Ranch Community Facilities District No. 1	100.	_____ (1)
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$34,557
 <u>OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>		
Placer County Certificates of Participation	0.021%	\$ 5,574
Placer County Office of Education Certificates of Participation	0.021	672
Sierra Joint Community College District Certificates of Participation	0.015	780
Roseville Joint Union High School District Certificates of Participation	0.048	953
Roseville City School District Certificates of Participation	0.097	21,161
City of Roseville Certificates of Participation	0.066	<u>18,341</u>
TOTAL OVERLAPPING GENERAL FUND OBLIGATION DEBT		\$47,481
 COMBINED TOTAL DEBT		 \$82,038 (2)

(1) Excludes Mello-Roos bonds 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 2001-02 Assessed Valuation:

Direct Debt	- %
Total Direct and Overlapping Tax and Assessment Debt	0.63%
Combined Total Debt.....	1.51%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/01: \$0

Source: California Municipal Statistics, Inc.

OVERVIEW OF SOUTHWESTERN PLACER COUNTY

The District is located in the southwestern portion of Placer County which, along with portions of adjacent Sacramento County, has experienced rapid growth in recent years. Southwestern Placer County comprises a portion of the northeasterly quadrant of the Sacramento metropolitan area and is generally located at the base of the Sierra Nevada foothills, within the area of influence of the Interstate 80 freeway corridor. For more than a decade, new growth and development have occurred along this primary transportation corridor, which extends locally from the central section of the City of Sacramento to the foothills of the Sierra Nevada range.

The incorporated portions of southwestern Placer County have historically served as bedroom communities of the metropolitan Sacramento area. However, in recent years, new employment opportunities have been created in the cities of Roseville and Rocklin, contributing to the rapid rate of growth in the southwestern Placer County area. As a result, these cities have now become more balanced relative to jobs and housing and less economically dependent on employment opportunities and services provided in adjacent Sacramento County. In recent years Roseville has grown as a business and residential center in the greater Sacramento area. For information on the City, see "APPENDIX D – THE CITY OF ROSEVILLE."

State Highway 65 is one of the region's primary transportation corridors, and it merges with Interstate 80 at an interchange system located in Roseville. From the interchange, the highway extends northerly through the cities of Roseville and Rocklin to nearby Lincoln. Lincoln has been the focus of some new development in recent years, and substantial residential and commercial development is underway or proposed for Lincoln and nearby project areas in the future. The completion of State Highway 65 in the summer of 1987 created a bypass thoroughfare around "downtown" Roseville and has also enhanced the retail and industrial growth of adjacent areas by providing better accessibility and identity to the area and improved linkage among the cities of Roseville, Rocklin and Lincoln.

The population of Placer County was reported to be approximately 257,500 in January 2001, which represents an increase of approximately 3.5% over that reported in the 2000 census. According to the California State Department of Finance, by 2005 the County's population is projected to grow to approximately 298,500, an increase of 16% over the 2001 estimate. Roseville has an estimated population of 83,000 as of January 1, 2001. While Roseville and Rocklin have larger populations and have recently been the County's fastest growing cities, it is projected that Lincoln will surpass Rocklin as Placer County's fastest growing city, with the current population of approximately 13,900 increasing to a projected 15,000 by 2005. According to the California State Department of Finance, the current population of Roseville and Rocklin is expected to increase to approximately 173,100 by the year 2015.

Southwestern Placer County and the State Highway 65 corridor in particular have emerged as growing employment hubs of the Sacramento region. In addition to various quality-of-life and housing issues, the seismic stability of the area and its location largely out of the floodplain prompted Hewlett-Packard to purchase and begin developing its ±487-acre campus in northwestern Roseville in 1978. Four years later, NEC Electronics began developing a memory chip plant nearby and now owns a ±154-acre campus. Expansion of both of these facilities has occurred over the years, and each company holds additional land in order to accommodate future growth. Today, these two firms collectively employ in excess of 6,000, although due to current economic conditions, businesses in the area have been scaling back the existing workforce until the economic climate changes. In Rocklin, Wells Fargo Bank and Oracle Corporation have purchased sites in Stanford Ranch for their operations. The Galleria regional mall in Roseville was completed in August, 2000 and is the first regional mall development in the last 15 years in the Sacramento area. It is located at the northeast corner of Galleria Boulevard and the Roseville Parkway immediately adjacent to Highway 65. The two-level mall has four major anchors and a total gross leaseable area of 1,120,000 square feet, which is currently 99% leased. The mall features more than 120 retailers and anchors include Macy's, Nordstrom, Penney's and Sears. The construction of the regional mall has stimulated commercial activity in both the North Central Roseville Specific Plan and the Highland Reserve North Specific Plan areas and is expected to have a significant impact on residential development activity as well.

Adjacent to the Galleria to the east, the new 1.4 million square foot Creekside Town Center opened in the fall of 2000. It includes 1.23 million square feet of retail and office uses plus 154,000 square feet of future hotel space. Approximately 545,000 square feet of Retail/Office/Restaurant space was recently completed across from the Galleria to the south in the Fountains Center. Directly to the north of the Galleria at Five Star Drive is the Stanford Ranch Crossing Shopping Center which includes Costco, Linens 'N Things, Staples, Toys R Us, Sports Authority and McDonald's. Construction of a new Home Depot store on Fairway Drive, just to the west, was completed in late 2000. Lowe's Home Improvement Warehouse recently purchased a site adjacent to Home Depot and has a store under construction on the site. Sam's Club is also under construction on a site adjacent to Lowe's. The Willow Rock Plaza Shopping Center, anchored by Food Source, is located across Stanford Ranch Road on

Five Star Drive along with Walmart and various other retailers. Safeway has a store under construction at the corner of Pleasant Grove Boulevard and East Roseville Parkway.

The Placer County Board of Supervisors has recently approved the Sunset Industrial Area Plan, which earmarks about 8,900 acres of undeveloped land for industrial development. The proposed redevelopment plan will help provide roads, sewers, water and fire services to assist in attracting business to the unincorporated area adjacent to the cities of Roseville, Rocklin and Lincoln.

The City of Lincoln, located approximately 10 miles north of Roseville, has also experienced new development and job growth during the past four years. This growth is largely attributable to Lincoln's proximity to several high-tech firms and the development and transportation opportunities offered by Lincoln Air Center, an established industrial park located adjacent to the city's municipally-owned airport. The park became the local home of Zytec Services in 1994, now known as Artesyn Solutions, Inc., and began producing power supplies and repairing computers for Hewlett-Packard's nearby operations in Roseville. Since then, four similar firms have joined Artesyn in the Lincoln Air Center, including Express Point Technology, Comtek Computer Systems, ESL Technologies and Exel Logistics. Caliber Logistics, Inc., a contract warehouse and distribution firm for Hewlett-Packard, recently completed a 400,000 square-foot facility.

One of the recently completed residential developments in southwestern Placer County is Del Webb's Sun City retirement community in Roseville. The project was completed in 1999 and encompasses 1,200 acres along Roseville's western boundary, and includes approximately 3,500 housing units. Over one-third of the acreage is set aside for recreational and open space uses, including nine- and 18-hole golf courses. This development has helped to establish southwestern Placer County as a viable location for seniors-oriented communities, with the rate of sales and buildout far exceeding original expectations. The success of Sun City Roseville prompted the Del Webb Corporation to initiate another similar project in nearby Lincoln. Sales of homes in the Lincoln project began in February 1999, with marketing being directed throughout the western United States for the \pm 5,300-lot seniors housing community. Sun City Lincoln is proposed to encompass approximately 2,370 acres, or 42% of the expanded \pm 5,700-acre Twelve Bridges project area, which will accommodate a total of approximately 10,000 lots when completed. With 5,300 homes projected, Sun City Lincoln is planned to be approximately 70% larger than Del Webb's project in Roseville. Del Webb has in escrow or has recently closed escrow on over 1,000 homes in the project.

Another nearby development is the Kaiser Permanente hospital expansion. The project is located at the northeast corner of Rocky Ridge Drive and Douglas Boulevard, and the total cost of the facility was reportedly \$100 million for the 156 bed, 66 physician hospital facility.

The Roseville/Rocklin/Lincoln area is recognized for its planned growth environment and the quality and thoroughness of its land planning process. The process in these three cities is guided by specific plans – comprehensive documents that spell out not only where growth will occur and at what density, but also how it can be accommodated with the least negative impact on the nearby cities. The plans specify designs, detail roadways and facilities, and provide for their funding and phasing. In addition to the planned communities and specific plan areas moving forward in the cities of Roseville, Rocklin and Lincoln (and smaller, luxury home subdivisions in the Granite Bay area east of Roseville), the Dry Creek-West Placer Community Plan area southwest of Roseville in unincorporated Placer County now appears to be emerging as a new growth area in southwestern Placer County. This plan area encompasses approximately 9,200 acres and is bounded by Baseline Road on the north, Sutter County to the west, Sacramento County on the south, and Roseville on the east.

Educational facilities from kindergarten through high school are provided to southwestern Placer County residents (including those in the District) by a variety of school districts. Advanced educational facilities include Sierra College, located in the city of Rocklin, and numerous colleges and universities in the greater Sacramento area, which include two other community colleges, McGeorge School of Law of the University of the Pacific, California State University at Sacramento and the University of California at Davis.

Recreational facilities in southwestern Placer County include numerous neighborhood and regional parks. Most notable are Maidu Park in southeastern Roseville, Mahany Park in Northwest Roseville (including an aquatic center and recreation center) and Folsom Lake, which is located several miles east of Roseville in the Granite Bay community area of unincorporated Placer County. Folsom Lake is a major recreational resource area of the Sacramento metroplex.

In summary, southwestern Placer County has experienced steady population trend in recent years and has outperformed the regional economy in general.

SPECIAL RISK FACTORS

The purchase of the Bonds described in this Official Statement involves a degree of risk that may not be appropriate for some investors. The following includes a discussion of some of the risks which should be considered before making an investment decision.

Limited Obligation of the City to Pay Debt Service

The City has no obligation to pay principal of and interest on the Bonds in the event Special Tax collections are delinquent, other than from amounts, if any, on deposit in the Reserve Fund or funds derived from the tax sale or foreclosure and sale of parcels on which levies of the Special Tax are delinquent, nor is the City obligated to advance funds to pay such debt service on the Bonds. The Bonds are not general obligations of the City but are limited obligations of the City and the District payable solely from the proceeds of the Special Tax and certain funds held under the Fiscal Agent Agreement, including amounts deposited in the Reserve Fund and investment income thereon, and the proceeds, if any, from the sale of property in the event of a foreclosure. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS." Any tax for the payment of the Bonds will be limited to the Special Tax to be collected within the jurisdiction of the District.

Concentration of Ownership

All of the land within the District is currently owned by the Developer or its affiliate, who anticipates that all of the taxable property in the District will be developed and sold to homeowners or other homebuilders; accordingly there is likely to be subsequent transfers of ownership of property within the District. However, although the Developer has begun property development for the construction of homes for sale to end users, there can be no assurance that the property development and construction, and home sales to end users, will occur on the schedule currently anticipated.

The owner of property in the District is not personally obligated to pay the Special Tax attributable to the owner's property. Rather, the Special Tax is an obligation only against the parcel of property, secured by the amount which could be realized in a foreclosure proceeding against the property, and not by any promise of the owner to pay. If the value of the property is not sufficient, taking into account other obligations also constituting a lien against the property, the City, Fiscal Agent and owners of the Bonds have no recourse against the owner, such as filing a lawsuit to collect money.

Failure of the Developer, its affiliate, or any future owner of significant property subject to the Special Taxes in the District to pay installments of Special Taxes when due could cause the depletion of the Reserve Fund prior to reimbursement from the resale of foreclosed property or payment of the delinquent Special Tax and, consequently, result in the delinquency rate reaching a level that would cause an insufficiency in collection of the Special Tax to meet the District's obligations on the Bonds. For a description of the Developer, see "OWNERSHIP OF PROPERTY WITHIN THE DISTRICT." In that event, there could be a delay or failure in payments on the Bonds. See "SPECIAL RISK FACTORS - Bankruptcy and Foreclosure Delays" below and "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Delinquent Payments of Special Tax; Covenant for Superior Court Foreclosure."

Appraised Values

The Appraisal summarized in APPENDIX B estimates the market value of the taxable property within the District. This market value is merely the present opinion of the Appraiser, and is subject to the assumptions and limiting conditions stated in the Appraisal. The City has not sought the present opinion of any other appraiser of the value of the taxed parcels. A different present opinion of value might be rendered by a different appraiser.

The opinion of value relates to sale by a willing seller to a willing buyer as of the date of valuation, each having similar information and neither being forced by other circumstances to sell or to buy. Consequently, the opinion is of limited use in predicting the selling price at a foreclosure sale, because the sale is forced and the buyer may not have the benefit of full information.

In addition, the opinion is a present opinion. It is based upon present facts and circumstances. Differing facts and circumstances may lead to differing opinions of value. The appraised market value is not evidence of future value because future facts and circumstances may differ significantly from the present.

No assurance can be given that any of the appraised property in the District could be sold in a foreclosure for the estimated market value contained in the Appraisal. Such sale is the primary remedy available to Bondowners if that property should become delinquent in the payment of Special Taxes.

Property Values and Property Development

The value of Taxable Parcels within the District is a critical factor in determining the investment quality of the Bonds. If a property owner defaults in the payment of the Special Tax, the District's only remedy is to foreclose on the delinquent property in an attempt to obtain funds with which to pay the delinquent Special Tax. Land development and land values could be adversely affected by economic and other factors beyond the District's control, such as: a general economic downturn; adverse judgments in future litigation that could affect the scope, timing or viability of development; relocation of employers out of the area; stricter land use regulations; shortages of water, electricity, natural gas or other utilities; destruction of property caused by earthquake, flood or other natural disasters; environmental pollution or contamination.

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

Neither the District nor the City have evaluated development risks. Since these are largely business risks of the type that property owners customarily evaluate individually, and inasmuch as changes in land ownership may well mean changes in the evaluation with respect to any particular parcel, the District is issuing the Bonds without regard to any such evaluation. Thus, the creation of the District and the issuance of the Bonds in no way implies that the District or the City has evaluated these risks or the reasonableness of these risks.

The following is a discussion of specific risk factors that could affect the timing or scope of property development in the District or the value of property in the District.

Land Development. Land values are influenced by the level of development in the area in many respects.

First, undeveloped or partially developed land is generally less valuable than developed land and provides less security to the owners of the Bonds should it be necessary for the District to foreclose on undeveloped or partially developed property due to the nonpayment of Special Taxes.

Second, failure to complete development on a timely basis could adversely affect the land values of those parcels that have been completed. Lower land values would result in less security for the payment of principal of and interest on the Bonds and lower proceeds from any foreclosure sale necessitated by delinquencies in the payment of the Special Tax. See "APPRAISAL OF PROPERTY WITHIN THE DISTRICT -Value to Special Tax Burden Ratios." No assurance can be given that the proposed development within the District will be completed, and in assessing the investment quality of the Bonds, prospective purchasers should evaluate the risks of noncompletion.

Risks of Real Estate Investment Generally. Continuing development of land within the District may be adversely affected by changes in general or local economic conditions, fluctuations in the real estate market, increased construction costs, development, financing and marketing capabilities of individual property owners, water or electricity shortages, and other similar factors. Development in the District may also be affected by development in surrounding areas, which may compete with the District. In addition, land development operations are subject to comprehensive federal, state and local regulations, including environmental, land use, zoning and building requirements. There can be no assurance that proposed land development operations within the District will not be adversely affected by future government policies, including, but not limited to, governmental policies to restrict or control development, or future growth control initiatives. There can be no assurance that land development operations within the District will not be adversely affected by these risks.

Electricity Crisis. The State of California is recently experienced a crisis in the supply and pricing of electricity and natural gas. The crisis resulted in rolling blackouts in some areas of the State in 2001. The effect of the electricity and natural gas crisis on the economy of the area, as well as California as a whole, cannot be predicted. There can be no assurance that land development operations, home sales and land values in the District will not be adversely affected by the cost of electricity in California.

Natural Disasters. The value of the parcels in the District in the future can be adversely affected by a variety of natural occurrences, particularly those that may affect infrastructure and other public improvements and private improvements on the parcels in the District and the continued habitability and enjoyment of such private improvements. For example, the areas in and surrounding the District, like those in much of California, may be subject to earthquakes or

other unpredictable seismic activity, however, the District is not located in a seismic special studies zone.

Other natural disasters could include, without limitation, landslides, floods, droughts or tornadoes. One or more natural disasters could occur and could result in damage to improvements of varying seriousness. The damage may entail significant repair or replacement costs and that repair or replacement may never occur either because of the cost, or because repair or replacement will not facilitate habitability or other use, or because other considerations preclude such repair or replacement. Under any of these circumstances there could be significant delinquencies in the payment of Special Taxes, and the value of the parcels may well depreciate.

Legal Requirements. Other events that may affect the value of a parcel include changes in the law or application of the law. Such changes may include, without limitation, local growth control initiatives, local utility connection moratoriums and local application of statewide tax and governmental spending limitation measures. Development in the District may also be adversely affected by the application of laws protecting endangered or threatened species.

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

The values set forth in the Appraisal do not take into account the possible reduction in marketability and value of any of the parcels within the District by reason of the possible liability of the owner (or operator) for the remedy of a hazardous substance condition on a parcel. Although the City is not aware that the owner (or operator) of any of the property within the District has a current liability for a hazardous substance with respect to any of the parcels, it is possible that such liabilities do currently exist and that the City is not aware of them. A "Phase I" environmental site assessment was prepared for the property in the District (not including the specific plan Phase 3 property) in October 1996 in connection with the establishment of the North Roseville Specific Plan, which did not indicate the presence of any hazardous substance or other environmental concerns within the District.

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

Endangered and Threatened Species. It is illegal to harm or disturb any plants or animals in their habitat that have been listed as endangered species by the United States Fish & Wildlife Service under the Federal Endangered Species Act or by the California Fish & Game Commission under the California Endangered Species Act without a permit. Although the Developer believes that no federally listed endangered or threatened species would be affected by the proposed development within the District, other than any that are permitted by the entitlements already received, the discovery of an endangered plant or animal could delay development of vacant property in the District or reduce the value of undeveloped property.

Bankruptcy and Foreclosure Delays

The payment of the Special Tax and the ability of the District to foreclose the lien of a delinquent unpaid tax, as discussed in "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Delinquent Payments of Special Tax; Covenant for Superior Court Foreclosure," may be limited by bankruptcy, insolvency or other laws generally affecting creditors' rights or by the laws of the State of California relating to judicial foreclosure. The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel's approving legal opinion) will be qualified as to the enforceability of the various legal instruments by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights, by the application of equitable principles and by the exercise of judicial discretion in appropriate cases.

Although bankruptcy proceedings would not cause the Special Taxes to become extinguished, bankruptcy of a property owner could result in a delay in prosecuting superior court foreclosure proceedings and could result in the possibility of delinquent Special Tax installments not being paid in full. Such a delay would increase the likelihood of a delay or default in payment of the principal of and interest on the Bonds. To the extent that property in the District continues to be owned by a limited number of property owners, the chances are increased that the Reserve Fund established for the Bonds could be fully depleted during any such delay in obtaining payment of delinquent Special Taxes. As a result, sufficient moneys would not be available in the Reserve Fund for transfer to the Bond Fund to make up shortfalls resulting from delinquent payments of the Special Tax and thereby to pay principal of and interest on the Bonds on a timely basis.

To the extent that bankruptcy or similar proceedings were to involve a large property owner, the chances would increase the likelihood that the Bond Reserve Fund could be fully depleted during any resulting delay in receiving payment of delinquent Special Taxes. As a result, sufficient monies would not be available in the Bond Reserve Fund for transfer to the Bonds Redemption Account to make up any shortfalls resulting from delinquent payments of the Special Tax and thereby to pay principal of and interest on the Bonds on a timely basis.

Parity Taxes and Special Assessments; Private Debt

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

Property in the District is currently subject to certain overlapping tax and assessment liens, as shown in the overlapping debt statement. Property in the District is also subject to the special tax of an additional community facilities district known as the Crocker Ranch Community Facilities District No. 2 Services District. The property is not subject to any other special tax or assessment liens (other than the lien of the Special Tax). See "APPRAISAL OF PROPERTY WITHIN THE DISTRICT – Overlapping Debt and Priority of Lien." In addition,

the City and the Developer expect to issue Additional Bonds secured by the Special Tax. "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

In general, as long as the Special Tax is collected on the County tax roll, the Special Tax and all other taxes, assessments and charges also collected on the tax roll are on a parity, that is, are of equal priority. Questions of priority become significant when collection of one or more of the taxes, assessments or charges is sought by some other procedure, such as foreclosure and sale. In the event of proceedings to foreclose for delinquency of Special Taxes securing the Bonds, the Special Tax will be subordinate only to existing prior governmental liens, if any. Otherwise, in the event of such foreclosure proceedings, the Special Taxes will generally be on a parity with the other taxes, assessments and charges, and will share the proceeds of such foreclosure proceedings on a pro-rata basis. Although the Special Taxes will generally have priority over non-governmental liens on a parcel of Taxable Property, regardless of whether the non-governmental liens were in existence at the time of the levy of the Special Tax or not, this result may not apply in the case of bankruptcy. See "– Bankruptcy and Foreclosure Delays" above.

There can be no assurance that property owners within the District will not petition for the formation of other community facilities districts and improvement areas or for a special assessment district or districts and that parity special taxes or special assessments will not be levied by the County or some other public agency to finance additional public facilities. In addition to liens for special taxes or assessments to finance public improvements of benefit to land within the District, owners of property may obtain loans from banks or other private sources which loans may be secured by a lien on the parcels in the District. Such loans would increase amounts owed by the owner of such parcel with respect to development of its property in the District. However, the lien of such loans would be subordinate to the lien of the Special Taxes.

Tax Delinquencies

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

The annual Special Tax will be billed and collected in two installments payable without penalty by December 10 and April 10. In the event such Special Taxes are not timely paid, moneys available to pay debt service on the Bonds becoming due on the subsequent respective March 1 and September 1 may be insufficient, except to the extent moneys are available in the Reserve Fund.

In the event of non-payment of Special Taxes, funds in the Reserve Fund, if available, may be used to pay principal of and interest on the Bonds. If funds in the Reserve Fund for the Bonds are depleted, the funds can be replenished from the proceeds of the levy and collection of the Special Tax that are in excess of the amount required to pay all amounts to be paid to the Bond holders pursuant to the Fiscal Agent Agreement. However, no replenishment from the proceeds of a Special Tax levy can occur as long as the proceeds that are collected from the levy of the Special Tax against property within the District at the maximum Special Tax rates, together with other available funds, remains insufficient to pay all such amounts. Thus it is

possible that the Reserve Fund will be depleted and not be replenished by the levy of the Special Tax.

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

No Acceleration Provisions

The Bonds do not contain a provision allowing for the acceleration of the Bonds in the event of a payment default or other default under the terms of the Bonds or the Fiscal Agent Agreement. Under the Fiscal Agent Agreement, a Bond holder is given the right for the equal benefit and protection of all Bond holders similarly situated to pursue certain remedies. See "APPENDIX C – Summary of Certain Provisions of the Fiscal Agent Agreement." So long as the Bonds are in book-entry form, DTC will be the sole Bond holder and will be entitled to exercise all rights and remedies of Bond holders.

Ballot Initiatives

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

Proposition 218

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

Article XIII C removes limitations on the initiative power in matters of local taxes, assessments, fees and charges. Article XIII C does not define the term "local taxes" and it is unclear whether this term is intended to include special taxes levied under the Act. This provision with respect to the initiative power is not limited to taxes imposed on or after November 6, 1996, the effective date of Proposition 218. In the case of the Special Taxes which are pledged as security for payment of the Bonds, the laws of the State provide a mandatory, statutory duty of the City and the County Auditor to post the Special Taxes on the property tax roll of the County each year while any of the Bonds are outstanding. Additionally, on July 1, 1997, a bill was signed into law by the Governor of the State enacting Government Code 5854, which states:

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

The Special Taxes and the Bonds were each authorized by not less than a two-thirds vote of the Developer, as the sole landowner within the District, who constituted the qualified

electors of the District at the time of such voted authorization. The City believes, therefore, that issuance of the Bonds does not require the conduct of further proceedings under the Act or Proposition 218.

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

CONSTITUTIONAL LIMITATIONS ON TAXATION AND APPROPRIATIONS

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

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

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

State and local government agencies in the State, and the State itself are subject to annual appropriation limits, imposed by Article XIII B of the State Constitution. Article XIII B prohibits government agencies and the State from spending "appropriations subject to limitation" in excess of the appropriations limits imposed. "Appropriations subject to limitation" are authorizations to spend "proceeds of taxes," which consist of tax revenues, certain state subventions and certain other funds, including proceeds from regulatory licenses, user charges or other fees to the extent that such proceeds exceed the cost reasonably borne by such entity in providing the regulation, product or service. No limit is imposed on appropriations of funds which are not "proceeds of taxes" such as debt service on indebtedness existing or authorized before January 1, 1979, or subsequently authorized by the voters, appropriations required to comply with mandates of courts or the federal government, reasonable user charges or fees and certain other non-tax funds.

CONTINUING DISCLOSURE

The City has covenanted for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the District by not later than the next January 15th after the end of the City's fiscal year (presently June 30) in each year (the "City Annual Report") commencing with its report for the 2001-2002 fiscal year (due January 15, 2003) and to provide notices of the occurrence of certain enumerated events.

John Mourier Construction, Inc. has also covenanted for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the property it owns, or its affiliates or subsidiaries, or entities it has an interest in or controls owns, in the District by not later than April 1 of each year (reflecting reported information as of December 31 of the prior year) beginning with the report due April 1, 2003 (the "Developer Annual Report") and to provide notices of the occurrence of certain enumerated events. The obligation of John Mourier Construction, Inc. to provide such information is in effect only so long as John Mourier Construction, Inc. and its affiliates, or their successors, are collectively responsible for a certain percentage of the Special Taxes, as described in the Developer Annual Report.

The City Annual Report and the Developer Annual Report will be filed with each Nationally Recognized Municipal Securities Information Repository. The notices of material events will be filed with the Municipal Securities Rulemaking Board. These covenants have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5) (the "Rule"). The specific nature of the information to be contained in the Annual Report or the notices of material events by the City and the Developer is summarized in "APPENDIX F — FORM OF CONTINUING DISCLOSURE UNDERTAKINGS."

The City did not file in a timely manner 1998 annual reports as required by undertakings under the Rule in connection with certain previous financings by the City. The City has since filed all information required by such undertakings and has established a new procedure to provide for the timely filing of all information required by such undertakings and the Continuing Disclosure Agreement under the Rule.

UNDERWRITING

The Bonds were purchased through negotiation by Stone & Youngberg LLC (the "Underwriter"). The Underwriter agreed to purchase the Bonds at a price of \$4,430,856.00 (which is equal to the par amount of the Bonds, less an original issue discount of \$14,051.50 and less the Underwriter's discount of \$80,092.50). The initial public offering prices set forth on the cover page hereof may be changed by the Underwriter. The Underwriter may offer and sell the Bonds to certain dealers and others at a price lower than the public offering prices set forth on the cover page hereof.

FINANCIAL ADVISOR

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

LEGAL OPINION

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Jones Hall, a Professional Law Corporation, Bond Counsel. A complete copy of the proposed form of Bond Counsel opinion is contained in Appendix E to this Official Statement, and the final opinion will be made available to registered owners of the Bonds at the time of delivery. The fees of Bond Counsel are contingent upon the sale and delivery of the Bonds.

TAX MATTERS

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

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

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

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

RATINGS

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

APPENDIX A

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

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EXHIBIT A

CITY OF ROSEVILLE CROCKER RANCH COMMUNITY FACILITIES DISTRICT NO. 1 RATE AND METHOD OF APPORTIONMENT

1. BASIS OF SPECIAL TAX LEVY

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

2. DEFINITIONS

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

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

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

"**Anticipated Construction Proceeds**" means \$13,750,000 as adjusted annually after the Base Year in accordance with the Engineering News Record Building Cost Index.

"**Base Year**" means Fiscal Year ending June 30, 2002.

"**Benefit Share**" means the Maximum Annual Special Tax for a Parcel divided by the Maximum CFD Revenue.

"**Bond Indenture**" means the indenture or other financing documents pursuant to which bonds are issued.

"**Bond Share**" means the Benefit Share for a Parcel multiplied by the total Outstanding Bonds.

"**Bond Year**" means the twelve (12) month period ending on the second bond payment date of each calendar year as defined in the Bond Indenture.

"**CFD**" means the Crocker Ranch Community Facilities District No. 1 of the City of Roseville.

"**City**" means the City of Roseville, California.

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

"**County**" means the County of Placer, California.

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

"**Crocker Ranch**" means the Crocker Ranch Community Facilities District No. 1 of the City of Roseville.

"**Debt Service**" means the total amount of bond principal, interest, and scheduled sinking fund payments for the Bond Year commencing in a Fiscal Year.

"**Developed Parcel**" means a Parcel receiving one of the following development approvals from the City where right-of-way for streets and other public facilities are dedicated:

<u>Land Use</u>	<u>Development Approval</u>
Single Family Residential	- Final Subdivision Map
Other Taxable Land Uses	- Building Permit

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

"**Final Use Parcel**" means a Parcel with a residential structure and a certificate of occupancy permit and is owned by an individual owner other than the builder. A Final Use Parcel may also be a custom residential lot without a residential structure that is owned by an individual property owner.

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

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

"**Full Prepayment**" means the Prepayment of a Parcel's entire Maximum Annual Special Tax obligation prior to the termination of Special Taxes for the CFD as a whole.

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

"**Large Lot Number**" means the designation for Large Lot Parcels in the CFD as shown on **Map 1**. The Maximum Annual Special Tax is assigned to each Large Lot Parcel, which is identified by the Large Lot Number, at CFD formation as shown in **Attachment 1**.

"**Large Lot Parcel**" means the planned Large Lot Parcels by land use as identified in the North Roseville Specific Plan Phase II and Phase III, or Parcels subsequently created by Large Lot Subdivision Maps.

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

"**Maximum Annual Special Tax**" means the greatest amount of Special Tax that can be levied against a Taxable Parcel in any Fiscal Year.

"**Maximum CFD Revenue**" means the sum of the Maximum Annual Special Tax for all of the Taxable Parcels in the CFD. The Maximum CFD Revenue shall be \$1,686,996. This amount may be adjusted by Resolution of City Council to reflect the actual Maximum Annual Special Tax for all Taxable Parcels.

"**Outstanding Bonds**" means the total principal amount of bonds that have been issued by the CFD and not retired or defeased.

"**Outstanding Bond Share**" means the amount calculated for a Parcel to prepay the Special Tax obligation for the CFD. This amount is derived by subtracting the Reserve Fund Share from the Bond Share, and adding to that result any costs associated with the redemption of bonds, further delineated in Section 7, Step A.5.

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

"**Pay-As-You-Go**" means funding for authorized facilities from accumulated special tax revenues.

"**Planned Unit**" means the number of single family residential lots or parcels estimated to be created by a Final Subdivision map for each Large Lot Parcel shown **Attachment 1**.

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

"**Public Parcel**" means any Parcel that is (1) publicly owned, and (2) is normally exempt from the levy of general *ad valorem* property taxes under California law, including public streets; schools; parks; and public drainage ways, public landscaping, greenbelts, and public open space.

"**Reserve Fund**" means the total amount held in the bond reserve funds by the City for all Outstanding Bonds.

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

"**Special Tax(es)**" mean(s) any tax levy under the Act in the CFD as defined by the Annual Costs and as levied pursuant to Section 6 herein.

"**Subdivision**" means one or more Parcels created through the Subdivision Map Act process.

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

"**Tax Zone 1**" means that area so designated on **Map 1**, located in the CFD south of the North Branch of Pleasant Grove Creek.

"**Tax Zone 2**" means that area so designated on **Map 1**, located in the CFD north of the North Branch of Pleasant Grove Creek.

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

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

"**Undeveloped Parcel**" means any Taxable Parcel that is not a Developed Parcel or a Large Lot Parcel.

3. DETERMINATION OF PARCELS SUBJECT TO SPECIAL TAX

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

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

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

4. TERMINATION OF THE SPECIAL TAX

The Special Tax will be levied for as long as is needed to pay the principal and interest on debt incurred in order to construct the authorized facilities and to pay the Annual Costs. However, in no event shall the Special Tax be levied after Fiscal Year 2035-2036.

When all Annual Costs incurred by the CFD have been paid, the Special Tax shall cease to be levied. The Council shall direct the City Clerk to record a Notice of Cessation of Special Tax. Such notice will state that the obligation to pay the Special Tax has ceased and that the lien imposed by the Notice of Special Tax Lien is extinguished. The Notice of Cessation of

Special Tax shall additionally identify the book and page of the Book of Maps of Assessment and Community Facilities Districts where the map of the boundaries of the CFD is recorded.

5. ASSIGNMENT OF MAXIMUM ANNUAL SPECIAL TAXES

By August 1 of each Fiscal Year, using the Definitions from Section 2 and the Maximum Annual Special Tax rates from **Attachment 1**, the Finance Director shall assign the Maximum Annual Special Taxes to Parcels as follows:

1. Classify each Taxable Parcel as a Developed Parcel, Large Lot Parcel, or an Undeveloped Parcel. Taxable Parcels are further classified as being located in Tax Zone 1 or Tax Zone 2, as shown on **Map 1**.
2. The assignment of the Maximum Annual Special Tax to Taxable Parcels is as follows:
 - a) Developed Parcels - the Maximum Annual Special Tax for all Developed Parcels is assigned using **Attachment 1**. Each Large Lot Parcel shown in **Attachment 1** is assigned a number of Planned Units and an assigned Maximum Annual Special Tax. As Large Lot Parcels are subdivided, the Maximum Annual Special Tax is allocated to Developed Parcels using the following steps.
 - 1) If a Large Lot Parcel shown in **Attachment 1** is subdivided with no remainder parcel, divide the Maximum Annual Special Tax for the Large Lot Parcel by the number of small lot residential Parcels created by the Final Subdivision Map to arrive at the Maximum Annual Special Tax for each Taxable Parcel created.
 - 2) If a Large Lot Parcel is subdivided creating small lot residential Parcels and a remainder Parcel, perform the following steps.
 - (i) Assign the Maximum Annual Special Tax per Planned Unit shown for the Large Lot Parcel in **Attachment 1** to each small lot residential Parcel.
 - (ii) Subtract the number of small lot residential Parcels created by the Final Subdivision Map from the Planned Units for the Large Lot Parcel. Assign the resulting number of Planned Units to the remainder Parcel. If more than one remainder Parcel is created in the subdivision of a Large Lot Parcel, the Planned Units will be assigned to the remainder Parcels based on the development potential of each remainder Parcel.
 - (iii) Multiply the Estimated Maximum Annual Special Tax Rate by the number of Planned Units assigned to the remainder Parcel(s) to derive the Maximum Annual Special Tax for the Parcel(s).
 - 3) If a Large Lot is developed as other than a single family residential use, the Maximum Annual Special Tax for the Parcel at Developed Parcel

status is the Maximum Annual Special Tax for the Large Lot Parcels as shown in **Attachment 1**, or the Maximum Annual Special Tax calculated for remainder Parcels in Step 2) above.

- b) Large Lot Parcels - the Maximum Annual Special Tax for all Large Lot Parcels is assigned using **Attachment 1**. A remainder Parcel that is created in Step 5.2.a) 2) above will be considered a Large Lot Parcel.
- c) Undeveloped Parcels - the Maximum Annual Special Tax for an Undeveloped Parcel is calculated by multiplying the Gross Acreage by the Maximum Annual Special Tax Rate for Undeveloped Parcels shown on **Attachment 1**.
- d) Conversion of a Tax-Exempt Parcel to a Taxable Parcel - if a Parcel designated as a Public Parcel is not needed for public use and is converted to a private use, it shall become subject to the Special Tax. The Maximum Annual Special Tax for each such Parcel shall be set equal to the average Maximum Annual Special Tax per unit or acre for Parcels with similar land use designations, as determined by the Finance Director.
- e) Taxable Parcels Acquired by a Public Agency - A Taxable Parcel acquired by a public agency after the CFD is formed will remain subject to the applicable Special Tax unless the Special Tax obligation is satisfied pursuant to Section 53317.5 of the Government Code. An exception to this may be made if a Public Parcel within the CFD is relocated to a Taxable Parcel, the previously Tax-Exempt Parcel of comparable acreage becomes a Taxable Parcel, and the Maximum Annual Special Tax from the previously Taxable Parcel is transferred to the newly Taxable Parcel. This trading of Parcels will be permitted to the extent that there is no net loss in Maximum CFD Revenue.

6. SETTING THE ANNUAL SPECIAL TAX LEVY

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

- 1) Compute the Annual Costs using the definitions in Section 2.
- 2) Calculate the Special Tax for each Parcel as follows:
 - Step 1: Compute the Annual Costs using the definition of Annual Costs in Section 2.
 - Step 2: Compute 100 percent of the Maximum Annual Special Tax Revenue for all Developed Parcels in Tax Zone 1 and Tax Zone 2 by summing the Maximum Annual Special Tax for each Taxable Parcel.
 - Step 3: Compare the Annual Costs with the Maximum Annual Special Tax Revenue from Developed Parcels calculated in the previous step.
 - Step 4: If the Annual Costs are less than or equal to the Maximum Annual Special Tax Revenue, levy a proportional amount of the Special Tax on

each Developed Parcels in Tax Zone 1 and Tax Zone 2 to just equal the amount of Annual Costs or until 100 percent of the Maximum Annual Special Tax is reached for such Developed Parcels.

- Step 5: If the Annual Costs are greater than the Maximum Annual Special Tax Revenue from Developed Parcels in Tax Zone 1 and Tax Zone 2, levy the Maximum Annual Special Tax on each Large Lot Parcel in Tax Zone 1 to just equal the amount of Annual Costs or until 100 percent of the Maximum Annual Special Tax is reached for such Large Lot Parcels in Tax Zone 1.

- Step 6: If the Annual Costs are greater than the Maximum Annual Special Tax Revenue from Developed Parcels in Tax Zone 1 and Tax Zone 2 and Large Lot Parcels in Tax Zone 1, levy the Maximum Annual Special Tax on each Large Lot Parcel in Tax Zone 2 to just equal the amount of Annual Costs or until 100 percent of the Maximum Annual Special Tax is reached for such Large Lot Parcels in Tax Zone 2.

- Step 7: If the Annual Costs are greater than the Maximum Annual Special Tax Revenue from Developed Parcels in Tax Zone 1 and Tax Zone 2, and Large Lot Parcels in Tax Zone 1 and Tax Zone 2, levy the Maximum Annual Special Tax on each Undeveloped Parcel in Tax Zone 1 to just equal the amount of Annual Costs or until 100 percent of the Maximum Annual Special Tax is reached for such Undeveloped Parcels in Tax Zone 1.

- Step 8: If the Annual Costs are greater than the Maximum Annual Special Tax Revenue from Developed Parcels in Tax Zone 1 and Tax Zone 2, Large Lot Parcels in Tax Zone 1 and Tax Zone 2, and Undeveloped Parcels in Tax Zone 1, levy the Maximum Annual Special Tax on each Undeveloped Parcel in Tax Zone 2 to just equal the amount of Annual Costs or until 100 percent of the Maximum Annual Special Tax is reached for such Undeveloped Parcels in Tax Zone 2.

- 3) Prepare the Tax Collection Schedule for each Parcel and send it to the County Auditor requesting that it be placed on the general, secured property tax roll for the following Fiscal Year. The Tax Collection Schedule shall not be sent later than the date required by the Auditor for such inclusion.

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

As development and subdivision of the Crocker Ranch takes place, the Finance Director will maintain a file of each current assessor's parcel number within the CFD, its Maximum Annual Special Tax, and the authorized Maximum Annual Special Tax on all Parcels within

in the CFD available for public inspection. This record shall show the Maximum Annual Special Tax on all Developed, Large Lot, and Undeveloped Parcels and a brief description of the process of assigning the Special Tax each time a Parcel was created by a Subdivision, including any adjustments due to change in use. The record will also indicate whether a Parcel is a Prepayment Parcel.

7. PREPAYMENT OF SPECIAL TAX OBLIGATION

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

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

- The Parcel is either (i) a whole Specific Plan Parcel greater than one acre, or (ii) a Final Use Parcel.
- The City determines that the Prepayment of the Special Tax obligation does not jeopardize its ability to make timely payments of debt service on outstanding bonds.
- Any landowner prepaying the Special Tax obligation must pay any and all delinquent Special Taxes and penalties for the prepaying Parcel.

The Full Prepayment amount shall be established by following the steps in Part A and B, and transfers from the Reserve Fund for a Full Prepayment are described in Part C below.

Part A: Prepayment of Outstanding Bond Share

- Step A.1: Determine the Maximum Annual Special Tax for the Parcel based on the assignment of the Maximum Annual Special Tax described in Section 5 above.
- Step A.2: Determine the Benefit Share by dividing the Maximum Annual Special Tax determined in Step A.1 by the Maximum CFD Revenue for all Parcels in the CFD.
- Step A.3: Determine the Bond Share for the Parcel by multiplying the Benefit Share from Step A.2 by the total amount of Outstanding Bonds issued by the CFD.
- Step A.4: Calculate the Reserve Fund Share associated with the Bond Share determined in Step A.3 and reduce the Bond Share by the amount of the Reserve Fund Share. The Reserve Fund Share is equal to the reserve requirement on all outstanding bonds multiplied by the Benefit Share. At the City's discretion, the Reserve Fund Share may be withheld from the Prepayment calculation and refunded to the Prepaying landowner at the time that bonds are

Step A.5: Determine the Outstanding Bond Share by adding to the amount calculated in Step A.4 any fees, call premiums, amounts necessary to cover negative arbitrage from the date of the prepayment to first call date on the bonds, and expenses incurred by the City in connection with the prepayment calculation or the application of the proceeds of the prepayment.

Part B. Remaining Facility Cost Share

Step B.1: Determine the Total Facility Cost Share for the Parcel by multiplying the Benefit Share from Part A, Step A.2 above by the Anticipated Construction Proceeds.

Step B.2: Determine the share of facilities funded by bonds already issued by the CFD for the Parcel by multiplying the Benefit Share by the construction proceeds made available from all such bonds issued by the CFD. These amounts shall be adjusted to the year of Prepayment by using the Engineering News Record Construction Cost Index.

Step B.3: Determine the share of facilities already funded with Special Tax revenues on a pay-as-you-go basis by multiplying the Benefit Share by the total amount of pay-as-you-go funding used to acquire authorized facilities.

Step B.4: Determine the Remaining Facility Cost Share for the Parcel by subtracting the results from Steps B.2 and B.3 from the Total Facility Cost Share determined in Step B.1. (Notwithstanding the above, once the City has funded all authorized CFD facilities issued all bonds for the CFD, the remaining facility cost share shall be set to zero for purposes of this prepayment calculation.)

Step B.5: The Bond Authorization for the CFD shall be reduced by an amount equal to the amount determined in Step B.4 multiplied by a factor of 1.15.

Step B.6 Combine the amount from Part A Step A.5 with the amount from Part B Step B.4 to arrive at the Full Prepayment amount.

Part C: Transfers

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

Step C.1: Transfer the amount of the Reserve Fund Share.

8. ADMINISTRATIVE CHANGES AND APPEALS

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

Any taxpayer that feels that the amount of the Special Tax assigned to a parcel is in error may file a notice with the Finance Director appealing the levy of the Special Tax. The Finance Director will then promptly review the appeal, and if necessary, meet with the

applicant. If the Finance Director verifies that the tax should be modified or changed, a recommendation at that time will be made to the City Council and, as appropriate, the Special Tax levy shall be corrected and, if applicable in any case, a refund shall be granted.

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

9. MANNER OF COLLECTION

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

**Attachment 1
City of Roseville
Crocker Ranch CFD No. 1
Maximum Annual Special Tax By Large Lot Number**

Large Lot Number	Assessor's Parcel Number	Planned Units	Estimated Maximum Annual Special Tax Rate [1]	Maximum Annual Special Tax
<i>Per Planned Unit</i>				
W-1	017-114-082	35	\$1,740	\$60,900
W-2	017-114-083	36	\$1,740	\$62,640
W-3A	por. 017-114-084	112	\$1,740	\$194,880
W-3B	por. 017-114-084	36	\$1,536	\$55,296
W-4	017-114-085	112	\$1,740	\$194,880
W-5	017-114-086	48	\$1,740	\$83,520
DR-1	por. 017-114-028	45	\$1,344	\$60,480
DR-2	por. 017-114-028	72	\$1,536	\$110,592
DR-3	por. 017-114-028	306	\$1,536	\$470,016
DR-4	por. 017-114-028	293	\$1,344	\$393,792
DR-50	por. 017-114-028	0	<i>Exempt</i>	\$0
W-50	017-114-087	0	<i>Exempt</i>	\$0
W-51	017-114-088	0	<i>Exempt</i>	\$0
W-52	017-114-089	0	<i>Exempt</i>	\$0
W-53	017-114-090	0	<i>Exempt</i>	\$0
W-80	017-114-091	0	<i>Exempt</i>	\$0
W-81	017-114-092	0	<i>Exempt</i>	\$0
W-82	017-114-089	0	<i>Exempt</i>	\$0
W-83		0	<i>Exempt</i>	\$0
Totals		1,095		\$1,686,996

Per Gross Acre
\$7,400

Undeveloped Parcels

"att_1"

[1] Estimated Maximum Annual Special Tax Rate per unit is calculated by dividing the Maximum Annual Special Tax by the number of Planned Units. The Maximum Annual Special Tax per unit will be calculated by dividing the Maximum Annual Special Tax by the actual number units created by a final map. If fewer units are created than estimated in this table, the Maximum Annual Special Tax per unit will increase unless the Special Tax is transferred pursuant to provisions of Section 5.2.

**Map 1
[See Attachment]**

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APPENDIX B
EXCERPTS FROM THE APPRAISAL

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APPRAISAL UPDATE REPORT

*Crocker Ranch
Community Facilities District No. 1
Roseville, California*

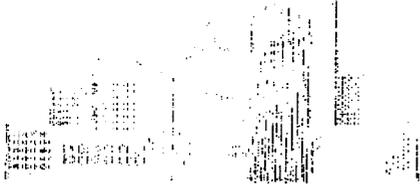
PREPARED FOR

Mr. Russ Branson, Finance Director
City of Roseville
2000 Hilltop Circle
Roseville, California 95747

PREPARED BY

Seevers • Jordan • Ziegenmeyer
2220 Douglas Boulevard, Suite 220
Roseville, California 95661
Phone # (916) 782-3113
Fax # (916) 782-0482

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SEEVERS • JORDAN • ZIEGENMEYER

Real Estate Appraisal & Consultation

February 25, 2002

Mr. Russ Branson, Finance Director
City of Roseville
2000 Hilltop Circle
Roseville, California 95747

RE: Appraisal Update
Properties within Crocker Ranch
Community Facilities District No. 1
Roseville, California

Dear Mr. Branson:

At your request we have analyzed the factors relative to our ability to perform an update (extension) of our original appraisal dated February 22, 2002 (October 12, 2001 effective date of value). As an update this report incorporates all of the market data and conclusions included in that document by reference. This document may only be used in conjunction with our original appraisal.

This updated valuation is intended to comply with Advisory Opinion "AO-3" as described in the 2002 edition of the Uniform Standards of Appraisal Practice (USPAP). As defined, "an update involves a combination of incorporation by reference from an original report and description and analysis of changes in conditions between the effective date of the update and the prior report or update." Thus, as indicated above, this update cannot be fully understood without reading the original report and should only be relied upon by a reader that is familiar with that document.

The reader is advised that four conditions had to have been met before this update assignment was accepted.

First the update may only involve the original appraiser/firm and client. Secondly, the time period between the effective date of the original appraisal and the effective date of the update must not be unreasonably long for the type of real estate involved. Thirdly, the real estate must not have undergone a significant change since the original report (highest and best use issue). Lastly, any changes in market conditions and the status of the subject since the original appraisal and the effective date of the update must be identified and analyzed.

This update conforms to all four requirements; we are the appraisers of the original report, the subject property has not changed in a significant way (in terms of highest and best use), and based on our investigation, an unreasonable time period has not elapsed since our original appraisal. And finally, we will in this report address the issue of changes in market conditions.

Mr. Russ Branson
February 25, 2002
Page 2

For the reader's reference we have included within this report excerpts from our original appraisal. Specifically, we have provided the definition of market value, date of value estimate, property rights appraised, valuation approaches used, and a summary conclusion of the highest and best use analysis (no change). In addition we have addressed in this report changes in market conditions and valuation factors.

Similar to our original appraisal, this analysis assumes that the infrastructure to be financed by the initial bond issuance are in place and available for use. The following value estimate represents the bulk sale value of the subject properties. The value estimate assumes the completion of the public facilities to be financed by the Crocker Ranch Community Facilities District No. 1 bond issuance (series 2002) and account for the impact of the lien of the Special Tax securing the Bonds. It should be noted that the value conclusion presented below is identical to the value reported our original appraisal. The purpose of this analysis has been to reaffirm the original value estimate as the "benchmark" value. Thus, the following estimate represent our "not less than" value conclusion.

Market Value, Bulk Value (February 25, 2002):

\$37,535,000

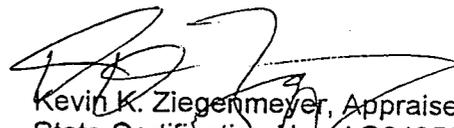
The subject properties are in the midst of development. Many of the issues and costs surrounding development are known and are utilized in this report. The conclusions and assumptions made in this report are based on sources deemed reliable. However, a thorough reading of the original report, as well as this updated report, is necessary to understand these assumptions, the strengths and weaknesses of the analyses, the property and the value conclusion. If during the development process, any assumptions or costs change or are found to be in error, revisions to the report will be necessary and the concluded values will require revision.

We hereby certify that we have impartially considered all data collected in the investigation. Further, we have no interest in the property; the appraisal has been made in accordance with the professional standards of the Appraisal Institute.

Sincerely,



P. Richard Seevers, MAI
State Certification No. AG001723
Expires: August 12, 2002



Kevin K. Ziegenmeyer, Appraiser
State Certification No. AG013567
Expires: June 4, 2003

/nfw

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PURPOSE OF THE APPRAISAL

The purpose of this appraisal is to estimate the value of the subject properties (fee simple) assuming the completion of the primary infrastructure and facilities to be funded by the Crocker Ranch Community Facilities District No. 1 bond issuance (series 2002), relative to our original appraisal. Thus, the following analysis will be based on a "not less than" value conclusion as compared to the "benchmark" value conclusion reported in our original appraisal.

The public facilities assumed to be in-place and available for use pertain to Crocker Ranch Community Facilities District No. 1 (series 2002). This appraisal is subject to this hypothetical condition. That is the properties are appraised, as if certain public improvements were in place that were not in place as of our date of value. According to the Uniform Standards of Professional Appraisal Practice (2002 edition), a hypothetical condition is defined as "that which is contrary to what exists, but is supposed for the purpose of this analysis."

INTENDED USE OF THE APPRAISAL

It is our understanding that the report will be used by the City of Roseville for bond underwriting purposes.

CLIENT AND INTENDED USER OF THE APPRAISAL

The client and intended user of the report is the City of Roseville.

PROPERTY RIGHTS APPRAISED

The estimates of value derived in this report are for the fee simple estate. The definition of this real property interest is offered as follows:

Fee Simple Estate: absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the Governmental powers of taxation, eminent domain, police power, and escheat.¹

The rights appraised are also subject to the Assumptions and Limiting Conditions contained in this report and to any exceptions, encroachments, easements and rights-of-way recorded. Primary among the assumptions in this analysis is the premise that the value estimate reflects the completion of the public facilities to be financed by bonds and account for the impact of the lien of the Special Tax securing the Bonds.

¹ The Dictionary of Real Estate Appraisal, 3rd ed. (Chicago: Appraisal Institute, 1993) 140

TYPE OF APPRAISAL AND REPORT FORMAT

As requested by the client, this report documents an update to our original complete appraisal of the subject property. The original analysis and findings were presented in a self-contained report format.

As an update, this report incorporates all of the market data and conclusions included in our original report by reference. This document may only be used in conjunction with that document.

This updated report provides only a summary overview of the property. In the remainder of this report, only selective descriptive information from our original report will be discussed. The highest and best use of the properties has not changed from our original report. The purpose of this analysis is to reaffirm the original value estimate as the "benchmark" value. Thus, the estimate of value reported herein will be based on a "not less than" value conclusion (relative to our original appraised value conclusion).

DATE OF INSPECTION

The subject properties were inspected on February 25, 2002.

EFFECTIVE DATE OF VALUE

Our analysis is concerned with the valuation of the subject properties included in Community Facilities District No. 1 (Crocker Ranch), assuming completion of the primary infrastructure and facilities to be funded by the Community Facilities District No. 1 (series 2002). For the purpose of this analysis, the date of value based on the assumed condition, is our date of inspection (February 25, 2002).

DATE OF REPORT

This report was completed and assembled on February 25, 2002.

APPRAISAL PROBLEM

Similar to our original appraisal, the appraisal problem is to estimate the value, assuming the completion of the infrastructure to be funded by the Community Facilities District (CFD) No. 1 issuance (series 2002), relative to our original appraisal. Thus, the following analysis will be based on a “not less than” value conclusion as compared to the “benchmark” value conclusion reported in our original appraisal. The appraised properties total 321.0 acres, and the property is proposed for subdivision into 1,095 detached single-family residential lots, with supporting public uses of parks and open space areas. The Community Facilities District No.1 bond issuance, along with additional funds from the master developer, is scheduled to fund the development of these parcels.

The appraised properties are located north of Blue Oaks Boulevard and east of Fiddymont Road in Roseville, California. For the reader's reference, we have detailed the number of lots that comprise the subject properties in the following table.

**CROCKER RANCH CFD NO. 1
SUMMARY OF LAND USE**

<i>Parcel</i>	Units	Acres
<u>Crocker Ranch South (Zone 1)</u>		
Low Density Residential		
W-4	112	30.2
W-5	48	13.7
<u>Subtotal</u>	160	43.9
Other (Tax-Exempt)		
Parks	-	13.4
Open Space	-	35.6
Right of Way	-	6.3
<u>Subtotal</u>	-	55.3
<u>Total For Zone 1</u>	160	99.2
<u>Crocker Ranch North (Zone 2)</u>		
Low Density Residential		
W-1	35	12.2
W-2	36	8.4
W-3	148	41.2
DR-1	45	7.4
DR-2	72	14.6
DR-3	306	70.6
DR-4	293	49.2
<u>Subtotal</u>	935	203.6
Other (Tax-Exempt)		
Park	-	9.0
Right of Way	-	9.2
<u>Subtotal</u>	-	18.2
<u>Total For Zone 2</u>		221.8
Total Residential Units & Acres	1,095	247.5
Total Gross Acres		321.0

Source: North Roseville Specific Plan and Final Hearing Report (dated January 29, 2002)

We have been requested to provide a value estimate of the subject properties under the hypothetical condition that states ... "it is assumed that all public facilities that are to be included in Community Facilities District No. 1 (series 2002) are in place as of the date of value (February 25, 2002)."

We will employ the sales comparison approach and the subdivision development method to estimate the values of the subject properties.

This appraisal report has been conducted in accordance with appraisal standards and guidelines found in the Uniform Standards of Professional Appraisal Practice (USPAP) and the Appraisal Standards for Land Secured Financing published by the California Debt and Investment Advisory Commission.

APPRAISAL PREMISE DEFINITIONS

The original appraisal, as well as this update appraisal has been made in accordance with the following definitions:

Market Value

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

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their own best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in United States Dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.²

Marketing Period

1. The time it takes an interest in real property to sell on the market subsequent to the date of an appraisal.
2. Reasonable marketing time is an estimate of the amount of time it might take to sell an interest in real property at its estimated market value during the period immediately after the effective date of the appraisal; the anticipated time required to expose the property to a pool of prospective purchasers and to allow appropriate time for negotiation, the exercise of due diligence, and the consummation of a sale at a price supportable by current market conditions. Marketing time differs from exposure time, which is always presumed to precede the effective date of the appraisal.³

Exposure Time

1. The time a property remains on the market.
2. The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based upon an analysis of past events assuming a competitive and open market. Exposure time is always presumed to occur prior to the

² Federal Register, vol. 55, no. 163, August 22, 1990, 34228 and 34229

³ The Dictionary of Real estate Appraisal, 3rd. ed. (Chicago: Appraisal Institute, 1993) 220

effective date of the appraisal. The overall concept of reasonable exposure encompasses not only adequate, sufficient and reasonable time but also adequate, sufficient and reasonable effort. Exposure time is different for various types of real estate and value ranges and under various market conditions.⁴

Hypothetical Value Estimate

A value that is contrary to what exists, but is supposed for the purpose of analysis.⁵

Aggregate (Aggregate Value)

In statistics, the sum of all the varieties within a population, e.g. the aggregate sale price of all the houses sold in a given community.⁶

Retail Value

Retail value is an estimate of what an end user would pay for a finished property under the condition requisite to a fair sale⁷. Appraisers estimate retail value through the conventional appraisal methods discussed later in this report.

Bulk Sale Value

The most probable price, in a sale of all parcels within a tract or development project, to a single purchaser or sales to multiple buyers, over a reasonable absorption period discounted to present value, as of a specified date, in cash, or in terms equivalent to cash, for which the property rights should sell after reasonable exposure, in a competitive market under all conditions requisite to a fair sale, with buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under stress.⁸

⁴ The Dictionary of Real estate Appraisal, 3rd ed. (Chicago: Appraisal Institute, 1993) 126

⁵ USPAP, 2000 Edition 11

⁶ The Dictionary of Real Estate Appraisal, 8.

⁷ Appraisal Standards For Land-Secured Financing, (California Dept Advisory Commission, 1994) 9

⁸ Ibid

EXTRAORDINARY ASSUMPTIONS AND LIMITING CONDITIONS

(For the reader's reference we have restated the Extraordinary Assumptions and Limiting Conditions presented in our original appraisal)

1. *The estimate of market value contained within this report assumes the completion of the public infrastructure improvements to be financed with the Community Facilities District No. 1 bond issuance (series 2002). In summary, the funds will be used for various roadway improvements to Blue Oaks Boulevard, Fiddymont Road, and un-named collector streets; intersection improvements, traffic signals, drainage system improvements, water, sewer, electric facilities, public parks, and additional miscellaneous improvements.*
2. *The values derived in this report are directly tied to the subdivision map and phasing of the project provided by the property owner. Any significant change in the number or size of the new parcels, or in the phasing of the project, could affect the value of the subject properties. It is assumed the subject will be subdivided and phased as represented by the master developer for this analysis. It should be noted that the maps and related lot counts in this update appraisal do vary slightly from the lot counts reflected in the original appraisal.*
3. *The value conclusions contained in this report are based, in part, on development cost information provided by the developer. Any significant change in these costs could have a direct impact on the value estimates concluded in this report. The appraisers specifically assume that the cost information provided is accurate. It should be noted that updated cost estimates have been provided for this update appraisal.*
4. *The appraised properties are located in an area that is to be encumbered by a Community Facilities District bond obligation for the provision of infrastructure improvements. Typically, upon the sale of such a property, the outstanding bond obligations are passed through to the buyer. The estimates of value reported herein include value increments related to this bond indebtedness. In short, the value estimates reported reflect the completion of the public facilities to be financed by the bonds and account for the impact of the lien of the Special Tax securing the Bonds.*
5. *The portions of the Crocker Ranch properties designated for public and quasi-public purposes are not subject to the Community Facilities District No. 1 special tax levy. Therefore, these land areas have been excluded from valuation.*
6. *The exact locations of the easements referenced in the preliminary title report were not provided to the appraiser. The appraiser is not a surveyor nor qualified to determine the exact location of the referenced easements. It is assumed the easements noted in the referenced preliminary title report do not have an impact on the opinions of value as provided in this report. If, at some future date, these easements are determined to have a detrimental impact on value, the appraiser reserves the right to amend the opinion(s) of value.*
7. *The opinions of value presented in this report are predicated on none of the items referenced in the preliminary title report having a detrimental impact upon the utility of the property as proposed, nor the opinions of value. If, at some future date, these exceptions are determined to have a detrimental impact on value, the appraiser reserves the right to amend the opinion(s) of value.*

GENERAL ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal report is subject to the following general assumptions and limiting conditions:

1. *No responsibility is assumed for the legal description provided or for matters pertaining to legal or title considerations. Title to the properties is assumed to be good and marketable unless otherwise stated.*
2. *No responsibility is assumed for matters of law or legal interpretation.*
3. *The properties are appraised free and clear of any or all liens or encumbrances unless otherwise stated.*
4. *The information and data furnished by others in preparation of this report is believed to be reliable, but no warranty is given for its accuracy.*
5. *It is assumed that there are no hidden or unapparent conditions of the properties, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for obtaining the engineering studies that may be required to discover them.*
6. *It is assumed that the properties are in full compliance with all applicable federal, state, and local environmental regulations and laws unless the lack of compliance is stated, described, and considered in the appraisal report.*
7. *It is assumed that the properties conform to all applicable zoning and use regulations and restrictions unless a nonconformity has been identified, described and considered in the appraisal report.*
8. *It is assumed that all required licenses, certificates of occupancy, consents, and other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.*
9. *It is assumed that the use of the land and improvements is confined within the boundaries or property lines of the properties described and that there is no encroachment or trespass unless noted in the report.*
10. *Unless otherwise stated in this report, the existence of hazardous materials, which may or may not be present on the properties, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the properties. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, and other potentially hazardous materials may affect the value of the properties. The value estimated is predicated on the assumption that there is no such material on or in the properties that would cause a loss in value. No responsibility is assumed for such conditions or for any expertise or engineering knowledge required to discover them. The intended user of this report is urged to retain an expert in this field, if desired.*

11. *The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific survey or analysis of these properties to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. Since compliance matches each owner's financial ability with the cost-to cure the property's potential physical characteristics, the real estate appraiser cannot comment on compliance with ADA. A brief summary of the subject's physical aspects is included in this report. It in no way suggests ADA compliance by the current owner. Given that compliance can change with each owner's financial ability to cure non-accessibility, the value of the subject does not consider possible non-compliance. Specific study of both the owner's financial ability and the cost-to-cure any deficiencies would be needed for the Department of Justice to determine compliance.*
12. *The appraisal is to be considered in its entirety and use of only a portion thereof will render the appraisal invalid.*
13. *Possession of this report or a copy thereof, does not carry with it the right of publication nor may it be used for any purpose by anyone other than the client without the previous written consent of Seevers • Jordan • Ziegenmeyer.*
14. *Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news, sales, or any other media without the prior written consent and approval of Seevers • Jordan • Ziegenmeyer.*
15. *The liability of Seevers • Jordan • Ziegenmeyer and its employees/subcontractors for errors omissions, if any, in this work is limited to the amount of its compensation for the work performed in this assignment.*
16. *Acceptance and/or use of the appraisal report constitute acceptance of all assumptions and limiting conditions stated in this report.*
17. *An inspection of the subject properties revealed no apparent adverse easements, encroachments or other conditions, which currently impact the subject. However, the exact locations of typical roadway and utility easements, or any additional easements, which would be referenced in a preliminary title report, were not provided to the appraiser. The appraiser is not a surveyor nor qualified to determine the exact location of easements. It is assumed typical easements do not have an impact on the opinion (s) of value as provided in this report. If, at some future date, these easements are determined to have a detrimental impact on value, the appraiser reserves the right to amend the opinion (s) of value.*

CERTIFICATION OF VALUE

I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct;
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and is my personal, impartial and unbiased professional analyses, opinions, and conclusions;
- I have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved;
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment;
- My engagement in this assignment was not contingent upon developing or reporting predetermined results;
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal;
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Uniform Standards of Professional Appraisal Practice;
- I have made a personal inspection of the property that is the subject of this report;
- Kevin K. Ziegenmeyer inspected the subject property and provided significant real property appraisal assistance in the preparation of this report. This assistance included the collection and confirmation of data, and the analysis necessary to prepare a draft report with a preliminary estimate of value;
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute;
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives;
- I certify that my State of California general real estate appraiser certificate has never been revoked, suspended, cancelled, or restricted;
- I have the knowledge and experience to complete this appraisal assignment and have appraised similar properties in the past. Please see the Qualifications of Appraiser portion of the Addenda to this report for additional information; and
- As of the date of this report, I, P. Richard Seevers, MAI, have completed the requirements under the continuing education program of the Appraisal Institute.



P. RICHARD SEEVERS, MAI

State Certification No.: AG001723 (Expires: August 12, 2002)

CERTIFICATION OF VALUE

I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct;
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial and unbiased professional analyses, opinions, and conclusions;
- I have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved;
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment;
- My engagement in this assignment was not contingent upon developing or reporting predetermined results;
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal;
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Uniform Standards of Professional Appraisal Practice;
- I have made a personal inspection of the property that is the subject of this report;
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute;
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives;
- I certify that my State of California general real estate appraiser certificate has never been revoked, suspended, cancelled, or restricted; and
- I have the knowledge and experience to complete this appraisal assignment and have appraised similar properties in the past. Please see the Qualifications of Appraiser portion of the Addenda to this report for additional information.
- No one other than the undersigned has made a significant real property appraisal assistance to the development of this appraisal.



KEVIN K. ZIEGENMEYER, APPRAISER
State Certification No.: AG013567 (Expires: June 4, 2003)

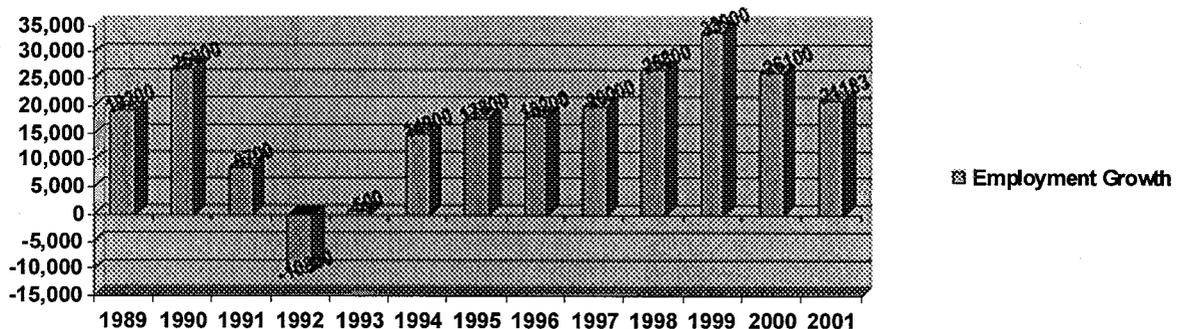
SACRAMENTO METROPOLITAN AREA HOUSING MARKET

The regional area housing information is an important part of the appraisal report because it provides a macro observation of the community and forms the basis upon which judgments are made. The characteristics of the region's residential real estate market influence the economic viability of the area, including the subject property. In order to familiarize the reader with the specifics of the Sacramento Metropolitan area new home market, some general information regarding supply and demand, current trends in the overall market will be discussed as follows:

A Macro Observation of the Region's Housing Market History

Employment

During the latter part of the 1980's the Sacramento Region was creating almost 28,000 new jobs per year, which stimulated the boom in housing demand during that period. Following the onset of the recession in 1990, employment growth shrunk to negative numbers in 1992, with corresponding declines in the new home and resale home values. The region began a long slow climb back to producing positive employment gains in 1993, which greatly contributed to the increase in housing demand during the latter part of the past decade. The following graph illustrates employment growth in the Sacramento Region from 1990 – 2001.



As illustrated in the graph, employment growth was strong during the latter 1980s. The recession that began to impact California in 1990 seriously eroded employment opportunities in the Sacramento Region through 1993, with a net drop of 4,900 jobs from 1991-1993 (630,900 total jobs in 1991 to 626,000 jobs in 1993, excluding self employed persons). Employment growth rebounded to moderate levels in 1994 and has averaged 22,360 new jobs per year through 2001.

The growth of Sacramento's economic base has drawn people primarily from other areas in the state. In contrast to the Los Angeles and San Francisco Regions, most new Sacramento area residents come from within California seeking job opportunities, lower costs of land and housing, and a less congested living environment. Employment growth in the region is expected to remain strong over the next ten years with approximately 72% of the new jobs being created in the services, retail trade, and

government sectors. The table below represents the Center for the Continuing Study of the California Economy's (CCSCE) projected total employment growth by industry groups through 2010.

JOBS BY MAJOR INDUSTRY GROUP - SACRAMENTO REGION							
Industry	1990	1994	1999	2005	2010	Change	
						1990-99	1999-10
Agriculture	8,900	8,400	8,100	8,900	9,000	-800	900
Mining	600	600	400	400	400	-200	0
Construction	35,500	29,400	43,700	50,100	51,700	8,200	8,000
Manufacturing	43,800	42,500	52,400	62,600	70,200	8,600	17,800
Transportation & Public Utilities	28,200	30,400	33,200	46,300	50,200	5,000	17,000
Trade	147,400	146,600	162,400	194,500	211,500	15,000	49,100
FIRE	39,800	44,300	52,600	62,300	68,000	12,800	15,400
Services	138,900	161,200	203,000	274,800	328,600	64,100	125,600
Government	184,300	188,700	202,500	219,300	230,900	18,200	28,400
Self employed	<u>63,700</u>	<u>67,800</u>	<u>68,800</u>	<u>82,000</u>	<u>87,800</u>	<u>5,100</u>	<u>19,000</u>
Total Jobs	691,100	719,900	827,100	1,001,200	1,108,300	136,000	281,200
<i>Average annual gain</i>						15,089	25,582

Source: NPA Data Services, 04/00 (CCSCE)

Based on information provided by California's Employment Development Department, a total of 14,800 new jobs were created in September 2001 versus September 2000 (a 1.8% increase) resulting in a total of 821,700 jobs. EDD's statistics differ slightly from the numbers cited by NPA Data Services. The increase was led by construction, with a 7.6% increase in September 2001 (59,500 jobs) compared to September 2000 (55,300 jobs) for an increase of 4,200 new construction jobs. In addition to construction, the services sector also posted a gain in September 2001 compared to September 2000 with a 1.7% increase in September 2001 (222,400 jobs) compared to September 2000 (218,700 jobs). These numbers reflect an increase in service jobs of 3,700. Manufacturing experienced a slight loss with 54,300 recorded in September 2001 compared to 58,400 jobs recorded in September 2000, a 7.0% decrease.

The unemployment rate was 3.9% in September 2001 compared to 3.9% in September 2000 and 4.1% in June 2001. An unemployment rate of 3.9% is tied for the second lowest September rate dating back to 1998. If the current rate of job growth continued for the remainder of 2001, there will be a total of 813,585 jobs (representing a 1.8% increase and 14,385 new jobs). The strength of the Sacramento economy is evident, as employment remains relatively healthy despite the slowdown in the San Francisco Bay region. A more diversified economy with less dependence on the San Francisco Bay area and state government and more dependence on services and high technology will help the Sacramento Region maintain healthy growth rates.

Housing Permits

An operative measure of the condition of the region's housing market is the number of housing permits issued over time. New residential permit activity has steadily increased since 1995. For the year 2001, the total was 18,295, which consisted of 14,686 single-family and 3,619 multi-family units. The total for 2001 represents a gain of 9.85% over 2000. The following table reflects new permit activity for the Sacramento Region (1990 – 2001):

SACRAMENTO-YOLO CMSA BUILDING PERMIT ACTIVITY			
Year	Single-Family	Multi-Family	Total Permits
1990	13,456	2,889	16,345
1991	7,650	2,175	9,825
1992	7,854	1,169	9,023
1993	7,921	714	8,635
1994	8,630	713	9,343
1995	7,455	588	8,043
1996	8,096	878	8,974
1997	8,564	1,240	9,804
1998	10,606	3,330	13,936
1999	11,137	3,241	14,378
2000	13,300	3,355	16,655
2001	14,686	3,619	18,295

Source: The Gregory Group (4th Quarter 2001)

A total 3,029 building permits were issued during the Fourth Quarter of 2001 in the Sacramento Region, a 17.6% decrease from the Fourth Quarter 2000 (3,674 permits issued). The total number of single-family permits recorded is up 10.6% since the Fourth Quarter 2000 (13,300 units issued versus 14,686 units). Likewise, a total of 3,619 multi-family permits were issued during 2001 compared to 3,355 multi-family permits in 2000.

E/P Ratio Trends

Another viable measure of the new housing market strength is the E/P ratio. This ratio is a statistical measure, which calculates the new employment growth (non-farm) versus the new residential permits that have been issued in the corresponding year. The benchmark balance recognized by the industry is that for every 1.2 new jobs created, there is normally a need or demand for a new housing unit (whether single or multi-family). Concerning the single-family side of this formula, whenever the E/P ratio for this type of unit alone is 1.5 or higher, then the marketplace is considered to be in a very favorable and strong demand condition. The following table illustrates the strength of the housing market in the Sacramento MSA and Yolo County combined for the period 1990 – 2001.

E/P RATIO FOR THE SACRAMENTO MSA & YOLO COUNTY (1990-2001)					
Year	Employ. Gains	SF/MF Permits	E/P Ratio	SF Permits	E/P Ratio
1990	26,900	16,345	1.65	13,456	2.00
1991	8,700	9,996	0.87	7,734	1.12
1992	-10,800	9,071	-1.19	7,857	-1.37
1993	500	8,846	0.06	8,023	0.06
1994	14,900	9,711	1.53	8,705	1.71
1995	17,800	8,043	2.21	7,455	2.39
1996	18,200	8,974	2.03	8,906	2.04
1997	20,000	9,804	2.04	8,564	2.34
1998	26,800	14,336	1.87	10,733	2.50
1999	33,900	14,475	2.34	10,964	3.09
2000	26,100	16,655	1.57	13,300	1.96
2001	21,183	18,295	1.16	14,686	1.44
Total	204,183	144,551	1.41	120,383	1.70

Sources: Construction Industry Research Board and The Gregory Group – 4th Quarter 2001 Report

As illustrated by the E/P Ratio table, despite rises in building permits issued, recent construction has not been keeping up with the growing demand for residential units created from employment growth in the Sacramento Metropolitan area. Based on Fourth Quarter 2001 statistics, the current E/P ratio is 1.16. Obviously the market is attempting to meet the demand for new housing in the region. However, it will take several more quarters of below 1.2 ratios to balance the under supply of new homes in this region. Considering the cited information, the steady demand for new housing is expected into the near future.

Migration Trends

Another significant factor with direct influence on the region's housing market is the trend of migration. Since the mid 1980's the Sacramento Region has been significantly impacted by migration from Bay Area and Southern California urban centers, as well as areas outside the state of California. The following table and graph illustrate the total population of the Sacramento Metropolitan Area from 1990 through 2010 (projected) with corresponding fluctuation of migration per year, for the period noted. The impact of the recession caused the MSA to actually experience a net loss of people in the fiscal year 1994. Sacramento and Placer Counties experienced the greatest positive net migration during the period reported, totaling 59,998 and 46,205 people, respectively. The California Department of Finance reported the statistics tabulated on the following page.

SACRAMENTO-YOLO CMSA POPULATION AND MIGRATION 1990 – 2010 (PROJECTED)						
Year	El Dorado County	Placer County	Sacramento County	Yolo County	Sacramento -Yolo CMSA	Net Migration
1990	130,000	178,400	1,064,300	143,200	1,515,900	-
1991	134,100	184,100	1,085,000	145,400	1,548,600	32,700
1992	137,900	189,400	1,100,200	146,700	1,574,200	25,600
1993	140,900	194,100	1,111,100	147,600	1,593,700	19,500
1994	142,900	199,600	1,115,100	149,400	1,607,000	13,300
1995	144,500	206,300	1,124,900	151,700	1,627,400	20,400
1996	144,000	212,400	1,139,500	153,700	1,649,600	22,200
1997	148,800	219,400	1,156,500	155,500	1,680,200	30,600
1998	150,800	225,900	1,177,800	158,800	1,713,300	33,100
1999	156,996	233,836	1,189,056	160,805	1,740,693	27,393
2000	163,197	243,646	1,212,527	164,010	1,783,380	42,687
2005 (projected)	190,902	287,401	1,327,435	179,927	1,985,665	202,285
2010 (projected)	215,155	325,648	1,436,286	194,977	2,172,066	186,401

Source: DOF, July 2000

New-Home Sales: Submarket Analysis

When comparing 2001 new home sales with 2000 new home sales, Sacramento County posted a 1.8% decrease (6,938 sales in 2000 to 6,121 sales in 2001). Placer County posted 3,282 total sales in 2001, which is a 16.3% decrease from the 3,923 total sales in 2000. El Dorado County had 542 total sales in 2001, a 17.4% decrease from 2000 sales of 656. Conversely, Yolo County sales increased by 48.1% during the cited period (699 year 2000 sales to 991 sales in 2001).

By Community, West Sacramento posted the highest increase in sales over the cited period (699 in 2000 to 991 in 2001, for an increase of 48.1%). Following West Sacramento is the community of Natomas with 1,862 total sales in 2001, up 13.4% from 1,642 sales in 2000. Elk Grove sales increased 9.2%, from 1,415 in 2000 to 1,545 total sales in 2001. Folsom experienced a 49.9% decrease in sales activity, from 1,267 sales in 2000 to 635 sales in 2001. El Dorado Hills sales declined 22.8% from 492 sales in 2000 to 380 sales in 2001. Rocklin experienced a decline of 17.3% to 962 sales in 2001, down from 1,163 sales in 2000. Lincoln was down 16.2%, from 1,363 sales in 2000 to 1,142 sales in 2001. Roseville sales dropped 14.6% from 1,326 in 2000 to 1,133 in 2001. Laguna also declined some 15.5% from 1,567 sales in 2000 to 1,324 sales in 2001.

For the reader's reference, new home sales activity comparisons from 2000 to 2001 are indicated in the following table.

NEW HOME SALES ACTIVITY: 2000 - 2001			
County	Total 2000 Sales	Total 2001 Sales	% Change
Sacramento	6,938	6,121	-11.8%
Placer	3,923	3,282	-16.3%
El Dorado	656	542	-17.4%
Yolo	699	991	+48.1%
Submarket	Total 2000 Sales	Total 2001 Sales	% Change
West Sacramento	699	991	+48.1%
Natomas	1,642	1,862	+13.4%
Elk Grove	1,415	1,545	+9.2%
Folsom	1,267	635	-49.9%
El Dorado Hills	492	380	-22.8%
Rocklin	1,163	962	-17.3%
Lincoln	1,363	1,142	-16.2%
Laguna	1,567	1,324	-15.5%
Roseville	1,326	1,133	-14.6%

Source: The Gregory Group, 4th Quarter 2001

Developer Market Share

Currently, the five most active homebuilders within the Sacramento Metropolitan Area are Lennar Corp., which sold 1,235 homes last year; Beazer Homes with 924 sales; Del Webb Corp with 772 sales; Elliot Homes with 579 sales, and KB Homes with 579 sales. Elliott, the only Sacramento based builder in the group, accounted for 6.5% of the market during 2001. For the reader's reference, the table on the following page illustrates the top 20 developers within the Sacramento MSA, ranked by market share, as reported by *The Gregory Group* as of the fourth quarter 2001. The table includes total sales and corresponding market shares for the years 2001 and 2000.

Developer	Total 2001' Sales	2001' Market Share	Total 2000' Sales	2000' Market Share
Lennar Corp.	1,235	11.3%	1,657	13.6%
Beazer Homes	924	8.4%	1,118	9.2%
Del Webb	772	7.1%	811	6.6%
Elliott Homes	714	6.5%	788	6.5%
KB Homes	579	5.3%	674	5.5%
Centex Homes	519	4.7%	574	4.7%
Forecast Homes	510	4.7%	560	4.6%
JMC Homes	485	4.4%	664	5.4%
DR Horton	436	4.0%	242	2.0%
JTS Communities	428	3.9%	593	4.9%
Morrison Homes	340	3.1%	328	2.7%
John Laing Homes	289	2.6%	343	2.8%
Woodside Homes	227	2.1%	282	2.3%
Meyers Homes	218	2.0%	178	1.5%
Cresleigh Homes	216	2.0%	135	1.1%
Western Pacific Housing	210	1.9%	137	1.1%
Ryland Homes	208	1.9%	113	0.9%
Dunmore Homes	187	1.7%	281	2.3%
Richmond American Homes	185	1.7%	86	0.7%
Kimball Hill Homes	166	1.5%	191	1.6%

Source: The Gregory Group, 4th Quarter 2001

New Housing Trends

Based on statistics compiled by *The Gregory Group*, a real estate information and consulting firm covering the Sacramento Region and others, new home trends including sales volume statistics, median new home pricing, and lot sizes since 1999 are tabulated in the following table. For the reader's reference, the two most recent years' statistics are indicated by quarter.

Category	4 th Qtr 99'	1 st Qtr 00'	2 nd Qtr 00'	3 rd Qtr 00'	4 th Qtr 00'	1 st Qtr 01'	2 nd Qtr 01'	3 rd Qtr 01'	4 th Qtr 01'
Ave. Price	\$240,604	\$244,526	\$258,064	\$266,939	\$281,623	\$299,821	\$305,647	\$306,057	\$309,159
Ave. Size	2,354	2,365	2,424	2,424	2,478	2,534	2,511	2,520	2,536
\$/SF	\$103.70	\$104.85	\$107.60	\$111.22	\$114.77	\$119.58	\$123.26	\$123.27	\$123.60
Qtr Sales	1,804	3,006	3,045	3,262	2,903	3,585	2,748	2,384	2,219
Qtr WSR	0.87	1.29	1.24	1.29	1.22	1.55	1.09	0.78	0.72
YTD Sold	-	3,006	6,051	9,313	12,216	3,585	6,333	8,717	10,936
Total WSR	1.19	1.30	1.31	1.32	1.37	1.53	1.43	1.30	1.18
Ave. Lot Size	7,007	6,819	7,101	7,050	7,199	7,360	7,242	7,199	7,377
# of Projects	167	189	199	199	182	190	202	223	234
Total Inventory	13,124	14,156	15,383	14,721	15,281	14,298	15,351	16,374	16,638
Unsold Inventory	2,089	2,611	2,888	2,398	2,277	1,706	2,511	3,001	3,321
Weeks of Inventory	10	10	11	9	9	6	9	10	12

Source: The Gregory Group, 4th Quarter 2001

Current Issues

The following sections reflect current issues affecting housing development within the areas cited. It should be noted, however, that while we have focused on particular areas facing current litigation regarding future growth, environmental issues have become increasingly evident as they relate to expansion and development within all communities making up the Sacramento Metropolitan Area. Litigation and “slow-growth” initiatives have increased in the past three years as the economy has strengthened and expanded the area’s development boundaries. It is anticipated that as the Sacramento Metropolitan Area continues to grow, so will the measure of litigation and “slow-growth” initiatives in response to the environment effects of the expansion.

The current issues described below have effectively limited the supply of available housing in the affected areas while increasing the demand in comparable surrounding areas.

Natomas

With its proximity to downtown Sacramento, the region’s freeways, and Sacramento International Airport, land developers and city officials have long touted North Natomas as an antidote to suburban sprawl. Encompassing more than 11,000 acres, planners have projected that by 2030; North Natomas could have 62,000 new residents. Development within the North Natomas area, however, has been stalled in recent months as the repercussions of an environmental lawsuit continue to ripple through the area. Environmentalist argue that the land in question be set aside as permanent open space in an effort to protect the endangered giant garter snake and Swainson’s hawk, both listed as threatened under the federal and state Endangered Species acts. The land in question represents approximately 6,500 acres of unincorporated Natomas Basin rice land that county officials are considering designating as “urban.” With opposing parties seemingly far from settlement, the development of 17 million square feet of commercial space and 22,000 homes in the city’s portion of North Natomas may be on hold for up to two more years, according to recent reports. Developers in North Natomas as well as Sacramento city and county officials fear that if the delay continues, the economic boom could bypass Natomas and head for competing business parks and residential subdivisions in south Placer County or elsewhere.

The National Wildlife Federation filed the lawsuit and other plaintiffs in 1997 against the U.S. Fish and Wildlife Service, claiming that the Fish and Wildlife Service had erred that year in approving the city’s habitat conservation plan. The plan contains proposals for mitigating the impact of development on the giant garter snake and the Swainson’s hawk by establishing the Natomas Basin Conservancy to buy land to replace the habitat lost to development. The lawsuit charged that the city’s plan didn’t ensure enough funding to buy land over the long term reflective of rising property values in the Natomas Basin and that the city should have done an environmental impact study of the entire Natomas Basin instead of a relatively minor environmental review. The litigation went sour for the city on August 15, 2000, when U.S. District Court Judge David Levi published his opinion that a basinwide

environmental study is needed, as well as a foolproof funding program. In an effort to avoid violating environmental laws, the city quickly put a ban on grading land for projects that did not already have a grading permit.

El Dorado County/El Dorado Hills

Of all the counties within the Sacramento region, El Dorado struggles with the greatest mismatch between its water rights and its future water needs. The mismatch is a result of limited American River water rights and ambitious development plans. An invalidated county general plan, several pending lawsuits, endangered species issues, and an overall non-consensus among residents regarding growth and expansion further mire the problem facing the county.

In 1996, the county Board of Supervisors approved a general plan that was to guide growth in the county for 20 years. But a “slow-growth” citizens’ coalition known as El Dorado County Taxpayers for Quality Growth sued over the document’s failure to analyze the impacts of new growth on the environment. Based on the California Environment Quality Act, a court set aside the general plan. It has yet to be satisfactorily resolved. Thus, current construction within El Dorado County was planned before 1996. One hotly contended area for construction and the subject of significant proposed development is El Dorado Hills. The area has seen rapid appreciation in both the commercial and residential sectors of the real estate market in recent years due to its proximity to the Sacramento Business District, diverse landscape, and rural appeal. According to Steve Hutchings, senior engineer for the El Dorado Irrigation District (EID), the water supply in the hills during a drought is 9,300 acre-feet, while total potential demand is 7,181 acre-feet. (An acre-foot is the estimated amount generally needed annually for a family of four) He also indicated that 3,116 water meters, the region’s means for allocation water, are still available for dwelling units. That means all existing and future developments have plenty of water for now, Hutchings said.

Opponents of growth within the area, however, state that the water district and county supervisors are not representing what people in El Dorado Hills want. Many claim that there’s not enough water to supply the existing housing, much less subdivisions planned for future development. Reportedly, the county water agency is pursuing 15,000 more acre-feet of water from Folsom Lake, which would be split between El Dorado Hills and Georgetown. Additionally, the district and the water agency are working together to get another 17,000 acre-feet out of Folsom Lake. Another 3,000 acre-feet could be squeezed out of ditches and creeks that previously served farmland, according to Mr. Hutchings. The district hopes to have the rights secured within the next two to three years, the same time frame they’d hoped for five years ago. The application to the state for the extra 17,000 acre-feet was submitted in 1991, but was slowed due to litigation. For either additional water supply, the agency and district will also have to work with state and federal officials to protect threatened and endangered species, including steelhead trout, salmon and red-legged frogs on the lower American River and seven rare plants in the Cameron Park area.

The stalled general plan is the subject of an ongoing monthly meeting group bringing together interest from water, planning, development, the environment, agriculture and recreation to debate issues of water and growth. Recently, there has been talk of a third-party dispute resolution. Everyone agrees on one thing, however, future development is hazy until the county gets a general plan.

Summary

The demand for housing, as evidenced by sales activity, improved substantially in 1996, 1997, 1998, 1999 and 2000, as compared to 1995 when sales were the lowest since 1991. A slowing national economy as well as the historic events of September 2001 resulted in a temporary decrease in sales rates observed in the Sacramento MSA during 2001. However, following the precipitous decline during the second quarter 2001, less downward momentum during the third quarter 2001, the fourth quarter 2001 is believed by many real estate analysts to be characteristic of the start of future growth. Local economists attribute the relatively consistent demand for housing within the Sacramento MSA to strong job and population growth, as well as current low interest rates, pricing strategies and incentive programs offered by builders in an effort to move inventory. The State Employment Development Department (EDD) estimates that the number of new jobs in the region (Sacramento, El Dorado, Placer and Yolo Counties) grew by 2.3 percent in 1998, which is identical to the statewide average. Based on current forecasts of local job growth (2.4% annually through 2002), the demand for housing should continue to improve as long as interest rates and the local economy remain relatively stable.

Increased demand of housing resulted in higher prices in most submarkets in the region over 2001, except in the upper end of the residential market, which reflected decreases in value as consumers became increasingly cautious due to the slowing economy, high tech market meltdown, and political and military unrest. Based on improved sales activity and forecasts for continued job growth, it is anticipated that the demand for housing will continue to improve as long as interest rates remain relatively stable and many of the regions new employers prove economically viable. However, as competition between the large production homebuilders becomes more intense, and the potential of rising permits and fee costs looms in the future, lot prices will most likely reflect only moderate increases throughout 2002.

Industry analysis agree that Sacramento offers a number of factors which are key to sustaining job growth, including a diversified economy, affordable housing, an educated work force, and a good supply of moderately priced developable land.

PROPERTY DESCRIPTION SECTION

Assessment and Tax Information

As reported in our original appraisal, the existing ad valorem taxes are of nominal consequence in this appraisal, primarily due to the fact these taxes will be adjusted substantially as the remaining infrastructure and property improvements are completed and in consideration of the definition of market value employed in this appraisal, which assumes a sale of the appraised property.

In addition to the ad valorem taxes referenced above, the appraised properties are subject to a cumulative property tax override rate of 0.004339 percent. Combined the override rate and ad valorem tax rate equate to 1.004339%. The appraised properties are also encumbered by two separate direct charges, including the to be formed Crocker Ranch CFD No. 1. The other direct charges relate to a Landscaping service district. The service district charges are a flat \$226 per unit, per year. With respect to the special taxes associated with the to be formed Crocker Ranch CFD No. 1; the annual special taxes are projected to range from \$1,344 to \$1,740 per residential unit.

As proposed the improvements authorized, as part of CFD No. 1 will be financed in at least two CFD bond issues. The first bond issue of approximately \$4,322,000 will produce an estimated \$3,580,833 in acquisition proceeds. This initial issuance is anticipated to fund the construction of authorized infrastructure and facilities in Villages W-4 and W-5 (land areas south of Pleasant Grove Creek). It is anticipated that the ultimate bond obligation for this district will total \$17,122,000, with a corresponding acquisition fund balance of \$13,750,833. The difference between the \$17,122,000 and the \$13,750,833 is the cost of issuance, capitalized interest and reserves associated with the bonds. It should be noted that the bond related amount cited above have been revised since our original appraisal.

We have relied upon the Debt Service Schedule, prepared by Economic Planning Systems (EPS), for calculating the annual special tax levy for the appraised properties. The annual special tax applicable to the subject will be discussed in greater detail later in this report.

Offsite Improvements

As of the date of value, the subject is partially improved with the majority of the work related to the phase I improvements (Crocker Ranch South – Zone 1) complete at this time. The majority of the remaining work to be completed, in terms of primary infrastructure, relates to improvements to Blue Oaks Boulevard and Crocker Ranch Road (south of the creek).

Onsite Improvements

As of the date of value, onsite development for Villages W-4 and W-5 are 56% and 90% complete, respectively. The remaining villages have not yet begun onsite (in-tract) development work.

Sales History

The subject properties are vested in Mourier Land Investment Corporation. The portion of the subject properties identified as Crocker Ranch North (land areas in the to be formed district that are located north of Pleasant Grove Creek) transferred to Mourier Land Investment Corporation on August 10, 2001. This transfer of the Crocker Ranch North component represents the buyer's exercise of an option agreement negotiated June 8, 1998. The total consideration for the 160 acres, which comprise this portion of the subject properties, equates to \$6,400,000. However, considering the time elapsed since the option agreement was negotiated and change in market conditions, as well as the entitlements obtained by the buyer, nominal, if any, emphasis is placed on this transaction in estimating the subject's current market value.

The subject properties identified as Crocker Ranch South have only been involved in related party transfers during the past three years. However, it should be noted that Village W-4 (112 lots) is the subject of a pending sales agreement. The buyer (JTS Communities) in this pending sale originally negotiated this purchase with the seller during the last six months of 2001. However, some signs of a faltering economy, highlighted by the events of September 11, 2001, caused this merchant builder to cancel that purchase and forfeit \$1,000,000 in deposit money that was non-refundable at that time in the due diligence period. Reportedly the buyer's motivation for not completing this purchase was primarily attributable to the fact they had a significant inventory of "high end" production housing lots and were concerned about their over concentration in this market segment. On January 29, 2002 the same buyer negotiated the reinstatement of the purchase of that same village (Village W-4). The terms of the purchases are identical to the terms negotiated in mid 2001. However, the seller did allow the buyer to apply approximately \$600,000 of the \$1,000,000 forfeited "Liquidated Damages" toward the purchase price. The difference was retained by the seller, as an extension payment, which permits the buyer to defer the close of escrow until April 2002. Not including the \$400,000 "Extension Payment", the purchase of the 112 lots in village W-4 equates to \$101,000 per finished lot. The buyer will also pay an additional \$50,000 at the close of escrow to offset remapping costs the seller incurred to remap the original configuration of Village 4 from 116 lots to the 112-lot design the buyer desired. The sales agreement also stipulates that the buyer will pay cul-de-sac and open space premiums for those homes completed on lots offering these project orientations. The cul-de-sac and open space premiums will be paid at the close of escrow for each respective home built and sold by the merchant builder. The premium for the cul-de-sac lots is calculated at 2% of the gross sales price for the completed home. The premium for the open space lots is calculated at 3% of the gross sales price for the to be completed homes. In addition the buyer agrees to assume the bond obligation of the recently formed district. It should be noted that the buyer has recently passed through escrow an additional \$500,000 to the seller, which is non-refundable.

The property owner also reports that several letters of interest were received as back up offers on Village W-4. Likewise, several inquiries have been made regarding the purchase of the 48 lots which comprise village W-5. Reportedly the property owners plan to build their own production housing product on the village W-5 lots.

To the best of our knowledge no other arms length transfers of the subject properties have occurred during the past three years.

Subject Photographs

Pictures of the subject properties are presented in the Addenda.

Highest and Best Use Analysis

Conclusion - As Though Vacant

The legal, physical, and market conditions have been analyzed to evaluate the highest and best use of the subject properties. The analysis is presented to evaluate the type of use(s), which will generate the greatest level of future benefits possible to the properties. The only use that meets the four criteria for determining the highest and best use is a well-balanced residential subdivision.

After analyzing the four components of highest and best use in sequential order, it is our conclusion that the highest and best use of the subject site as vacant is for development of single-family homes marketed to the move-up homebuyer market.

Conclusion - As Proposed

The subject properties are proposed for development with various single-family residential home subdivisions. Based on the home pricing within surrounding neighborhoods, we have concluded that the highest and best use -as vacant- is similar to the proposed development. As such, it is anticipated that the new home construction to be built on the subject parcels will be similar to the successful residential developments in the area. Prices should generally be geared toward the move-up home market (\$200,000 to \$600,000).

INTRODUCTION

As indicated previously, this report is concerned with the subject's market value upon completion of the primary infrastructure and facilities to be funded by the Crocker Ranch Community Facilities District No. 1 (series 2002).

In our analysis, we will first estimate the value of the subject's proposed finished residential lots by employing the sales comparison approach to value. The partially complete lot values for the subject's Village W-4 and W-5 lots will be derived in the application of the subdivision development approach presented later in this analysis. In essence, the Village W-4 and W-5 lots will be valued by deducting only the cost to complete the lots from their currently partially complete status. All of the primary infrastructure and in-tract improvements required to fully improve the remaining lots will be deducted from the concluded prospective lot values (in the subdivision development approach).

SUBDIVISION DEVELOPMENT METHOD

Introduction

This portion of our analysis is concerned with estimating the bulk market value of the subject properties. As previously indicated, these estimates of value will assume the primary infrastructure to be funded with the initial issuance of the Community Facilities District No. 1 is complete.

The best way to derive this value is to employ the subdivision development method to value.

The subdivision development method is defined as follows:

A method of estimating land value when subdivision and development are the highest and best use of the parcel of land being appraised. All direct and indirect costs and entrepreneurial profit are deducted from an estimate of the anticipated gross sales price of the finished lots; the resultant net sales proceeds are then discounted to present value at a market-derived rate over the development and absorption period to indicate the value of the raw land.⁹

We will employ a discounted cash flow analysis to value the subject properties under the subdivision development method. The four main components of our discounted cash flow analysis are listed as follows:

1. **Revenue** - the total gross income of the various components is derived in this section. The developer of the subject properties will also receive reimbursement monies as an additional source of revenue. As mentioned earlier in this analysis, the maps and related lot count for this subject properties have been revised slightly. Based on the revisions the total lot count for properties within the boundaries of the district total 1,095 versus the 1,098 reported in our original appraisal. This reduction in 3 lots will have a nominal downward impact of the revenue stream estimated for the subject properties under the discounted cash flow analysis.
2. **Absorption Analysis** - the time frame required to sell-off the land components. Of primary importance in this analysis is the allocation of the revenue over the absorption period - including the estimation of an appreciation factor (if any). Based on our analysis of the current market conditions relative to the market conditions at the time of our original appraisal, we have concluded that the assumption and projections made in our original appraisal, relative to absorption and appreciation, remain appropriate for this analysis.
3. **Expenses** - the expenses associated with the sell-off are calculated in this section - including administration, marketing and commission costs, as well as taxes, special tax payments, and the development costs that will not be funded by the bond issuance. Some of the estimates of expenses related to the application of the discounted cash flow detailed in our original appraisal have been revised since the effective date of value of our original report. For those expenses that have changed we will include a revised discussion in this update appraisal.

⁹ The Dictionary of Real Estate Appraisal, 3rd ed. (Chicago: Appraisal Institute, 1993) 354

4. **Discount Rate** - the appropriate discount rate is derived in this portion of the analysis employing a variety of market data. The discount rate selected in the application of the discounted cash flow employed in our original appraisal is also appropriate for this update appraisal.

Revenue

The revenue components will be generated by the sale of partially improved and unimproved residential lots. In the following analysis we will utilize the lot values that were previously concluded in the bulk improved lot sales comparison section of our original report. It should be noted that the total lot count between the date of our original appraisal and this update has changed from 1,098 proposed lots to 1,095 proposed lots. The revised lot count will be applied to the lot values derived in our original appraisal. Again, the purpose of this analysis is to reaffirm the original value estimates as the "benchmark" value. Thus, we have analyzed current market conditions and market data to the extent necessary to re-affirm our value estimates for the subject proposed lots by lot size category.

These fully improved lot values (as proposed) will lead to an aggregate estimate of value for the subject. The aggregate value will then be integrated with the discounted cash flow analysis to reflect the bulk, or wholesale value of the subject. For the reader's reference we have presented our pre-discounted value conclusions in the table that follows:

TOTAL AGGREGATE VALUE

Crocker Ranch: CFD No. 1
Roseville, California

Parcel	No. of Lots	Average Lot Size	Loaded Lot Value	Permits & Fees	Extension	Conclusion Per Lot	Aggregate Village Value
Zone 1							
W-4	112	8,501	\$135,000	\$20,842	\$114,158	\$114,000	\$12,768,000
W-5	48	8,505	\$135,000	\$20,842	\$114,158	\$114,000	\$5,472,000
Zone 2							
W-3B	36	7,729	\$112,000	\$20,842	\$91,158	\$91,000	\$3,276,000
W-3A	112	10,209	\$150,000	\$20,842	\$129,158	\$129,000	\$14,448,000
W-2	36	9,530	\$140,000	\$20,842	\$119,158	\$119,000	\$4,284,000
W-1	35	9,530	\$140,000	\$20,842	\$119,158	\$119,000	\$4,165,000
DR-1	45	5,800	\$102,000	\$24,509	\$77,491	\$77,000	\$3,465,000
DR-4A	132	5,607	\$102,000	\$24,509	\$77,491	\$77,000	\$10,164,000
DR-4B	161	6,277	\$105,000	\$24,509	\$80,491	\$80,000	\$12,880,000
DR-3C	96	8,198	\$112,000	\$24,509	\$87,491	\$87,000	\$8,352,000
DR-3B	118	7,894	\$112,000	\$24,509	\$87,491	\$87,000	\$10,266,000
DR-3A	92	8,193	\$112,000	\$24,509	\$87,491	\$87,000	\$8,004,000
DR-2	<u>72</u>	7,949	\$112,000	\$24,509	\$87,491	\$87,000	\$6,264,000
Total:	1,095						\$103,808,000

As previously discussed, these estimates of value are inclusive of current and anticipated bond indebtedness.

Reimbursement From Fees

According to the Blue Oaks Boulevard Reimbursement Agreement, the City of Roseville will reimburse the master developer for a portion of the Blue Oaks Boulevard widening project. The reimbursement is based on the premise that a portion of the widening of the boulevard will benefit properties beyond the boundaries of the subject. As stipulated in the agreement the reimbursement will total \$56,332. The reimbursements will be paid to the developer, following acceptance by the City, within 30 days of the developer's submission of itemized invoices evidencing the costs for which the reimbursements are to be paid.

The Blue Oaks Boulevard widening work is currently underway. Thus, for purposes of this analysis we will reflect reimbursements in year 1 of the development/absorption schedule.

Absorption Analysis

Absorption Period

Considering current market conditions and the subject's specific characteristics we have concluded that the absorption projections presented in our original appraisal are also applicable at this time.

Annual Appreciation

This projected factor has been left unchanged from our original report.

Expenses

All of the expense items discussed in our original report are judged to be relevant at this time as well. Marketing Costs/Commissions/Closing Costs/Administrative, Interim Ad Valorem Taxes and Assessments, and Mello-Roos Community Facilities District expense projections remain unchanged from our original report.

Off-Tract Development and On-Site Development

Off-Tract Development

According to the Final Hearing Report dated January 29, 2002 (prepared by EPS), the total construction cost for the Crocker Ranch primary infrastructure is \$17,462,569. However, \$13,750,833 of this total is to be financed by the construction fund balance associated with the Crocker Ranch CFD No. 1. The construction fund balance referenced is the projected result of the ultimate bond issuance of \$17,122,000. However, the first bond issue is to total \$4,322,000, with a resulting acquisition fund balance of \$3,580,833. Based on the cost and construction fund estimates provided for this analysis, the developer's responsibility for primary infrastructure equates to \$3,711,736. According to the developer \$2,715,583 of this total has been incurred as of this date of this update appraisal.

Based on the information cited above the total cost to complete the primary infrastructure is tabulated below:

Description	Amounts
Total Costs (Primary Infrastructure)	\$17,462,569
Developer's Contribution	(\$2,715,583)
Acquisition Funds (First Bond Issuance)	(\$3,580,833)
Future Bond Issue(s)	\$11,166,153

Based on the calculation presented above, we have deducted \$11,166,153 for remaining infrastructure costs in the following discounted cash flow analysis.

In addition to the total infrastructure costs (to be funded by a future bond issuance), the issuance costs associated with the future bond series will be deducted from the projected sales revenues of the development. This deduction reflects the fact that only the debt service for the initial series of bond has been accounted for in the discounted cash flow presented later in this section. Similar to the interest and additional carrying costs associated with typical lender financing the issuance costs for any future series of bonds reflects the cost of funds (indirect costs) required to secure the construction portion of the total project costs. In this instance the indirect costs associated with yielding the required construction funds is \$2,630,000. Thus, for purposes of this analysis the total deduction for remaining off-tract development costs is \$13,796,153 (\$11,166,153 + \$2,630,000).

Reportedly the remaining infrastructure work could be completed within a 12-month timeframe. Therefore, in the following analysis we have included this expense in year 1 of the cash flow analysis.

On-Site Development

Two of the villages, which comprise the subject properties, have in-tract work underway (W-4 and W-5). The remaining villages will require the completion of the primary infrastructure mentioned above, as well as all of the in-tract development work. We have been provided detailed cost projections for each of the subject's proposed villages. We have compared the engineer's estimates for these site development costs with other similar projections in the area and have concluded that the projected costs appear reasonable. For the reader's reference a complete copy of the engineer's estimates are included in the Addenda to this report.

On the facing page we have summarized the projected in-tract development costs for each village. We have also adjusted the costs relative to villages W-4 and W-5 to reflect the work completed as of the date of our inspection. The percent complete for villages W-4 and W-5 was also based on estimates provide by the project engineers.

Based on the information discussed above and summarized on the facing page, \$20,172,979 in total in-tract development costs are required to deliver fully improved lots for each of the subject's villages.

It should be noted that the second year cost projections are subject to an escalation factor, assumed to be equal to our appreciation factor estimate (3%).

Discount Rate

This factor has remained unchanged from our original report.

Conclusion

After re-analyzing each factor used in the Subdivision Development Approach, we have concluded that the current value estimate for the subject properties not less than the value reported in our original appraisal. As the reader will note the current value estimate derived by employing the Subdivision Development Method is greater than the value estimate reported in our original appraisal. However, as previously reported the purpose of this analysis has been to reaffirm the original value estimate as the "benchmark" value.

SUMMARY AND CONCLUSION

The purpose of this appraisal has been to estimate the value (fee simple) of the subject properties assuming the completion of the infrastructure and facilities to be funded by the Community Facilities District No. 1 bond issuance (series 2002).

It should be noted that the value conclusion presented below is identical to the value reported our original appraisal. The purpose of this analysis has been to reaffirm the original value estimate as the "benchmark" value. Thus, the following estimate represents our "not less than" value conclusion.

Based on the preceding information, our final estimate of value for the subject properties is as follows:

<u>Market Value, Bulk Value (February 22, 2002):</u>	\$37,535,000
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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT

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

Definitions

"Acquisition Agreement" means the Funding, Construction and Acquisition Agreement, entered into by and between the City and John Mourier Construction, Inc., and any amendments thereto, in connection with payment or reimbursement of the costs of the Project by the City, including for costs of acquisition of portions of the Project.

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

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

"Agreement" means the Fiscal Agent Agreement dated as of April 1, 2002, by and between the City and the Trustee, 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 including any mandatory sinking fund payments due in such Bond Year.

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

"Bond Counsel" means any attorney or firm of attorneys acceptable to the City and nationally recognized for expertise in rendering opinions as to the legality and tax-exempt status of securities issued by public entities.

"Bond Year" means each twelve-month period beginning on September 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 April 1, 2002.

"Bonds" means the City of Roseville Crocker Ranch Community Facilities District No. 1 Special Tax Bonds Series 2002 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 herein) 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 April 1, 2002, by and among the City and BNY Western Trust Company, National Association, in its capacity as Dissemination Agent, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

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

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

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

"Debt Service Account" means the account of the Special Tax Fund by that name established under the Fiscal Agent Agreement.

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

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

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

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

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

"Finance Director" means the Finance Director, including any Acting Finance Director, of the City.

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

"Fiscal Year" means the twelve-month period extending from September 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; Mergent/FIS, Inc., 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 September 1, 2002.

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

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

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

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

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

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

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

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

(i) Federal Securities;

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

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

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

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

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

(vii) money market funds which invest solely in Federal Securities or in obligations described in the preceding clause (ii) of this definition, or money market funds which are rated in

the highest rating category by Standard & Poor's Ratings Services or Moody's Investor Service, including funds which are managed or maintained by the Fiscal Agent;

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

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

(x) commercial paper of "prime" quality of the highest ranking or of the highest letter and numerical rating as provided for by Moody's Investors Service, or Standard and Poor's Corporation, of issuing corporations that are organized and operating within the United States and having total assets in excess of five hundred million dollars (\$500,000,000) and having an "AA" or higher rating for the issuer's debentures, other than commercial paper, as provided for by Moody's Investors Service or Standard and Poor's Corporation, and provided that purchases of eligible commercial paper may not exceed 180 days maturity nor represent more than 10 percent of the outstanding paper of an issuing corporation;

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

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

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

(xiv) any other lawful investment for City funds.

"Principal Office" means the corporate trust office of the Fiscal Agent in San Francisco, California, or such other or additional offices as may be designated by the Fiscal Agent.

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

"Record Date" means the fifteenth (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) ten percent (10%) of the total proceeds of the Bonds deposited under the Fiscal Agent Agreement.

"Resolution" means Resolution No. 02-81, adopted by the City Council of the City on April 3, 2002, which resolution, among other matters, authorized the issuance of the Bonds.

"Resolution of Formation" means Resolution No. 02-53, adopted by the City Council of the City on February 6, 2002, establishing the District for the purpose of providing for the financing of certain public facilities in and for such District.

"Resolution of Intention" means Resolution No. 01-478, adopted by the City Council of the City on September 19, 2001.

"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 all scheduled payments and delinquent payments thereof, interest and penalties thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes.

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

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

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

Special Tax Revenues; Flow of Funds

Pledge of Special Tax Revenues. All of the Special Tax Revenues and all moneys deposited in the Bond Fund, the Reserve Fund and, until disbursed as provided in the Fiscal Agent Agreement, in the Special Tax Fund are pledged to secure the repayment of the Bonds. Such pledge shall constitute a first lien on the Special Tax Revenues and said amounts. The Special Tax Revenues and all moneys deposited in 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 Crocker Ranch Community Facilities District No. 1 Special Tax Bonds, Series 2002, Special Tax Fund, to the credit of which the City shall deposit, immediately upon receipt, all Special Tax Revenues received by the City and any amounts required by the Fiscal Agent Agreement to be deposited therein. Within the Special Tax Fund, the Treasurer will establish and maintain two accounts: (i) the Debt Service Account, to the credit of which the City will deposit, immediately upon receipt, all Special Tax Revenues, and (ii) the Surplus Account, to the credit of which the City will deposit, immediately upon receipt, surplus Special Tax Revenues, as described below. Moneys in the Special Tax Fund will be disbursed as provided below and, pending any disbursement, will be subject to a lien in favor of the Owners of the Bonds.

All Special Tax Revenues shall be deposited in the Debt Service Account upon receipt. No later than ten (10) Business Days prior to each Interest Payment Date, the City will withdraw from the Debt Service Account of 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. At such time as deposits to the Debt Service Account equal the principal, premium, if any, and interest becoming due on the Bonds for the current Bond Year, including any mandatory sinking fund payments required to be made, and the

amount needed to restore the Reserve Fund balance to the Reserve Requirement, the amount in the Debt Service Account in excess of such amount may, at the discretion of the City, be transferred to the Surplus Account, which will occur on or after September 15th of each year.

From time to time, the City may withdraw from the Surplus Account of the Special Tax Fund amounts needed to pay costs of the Project or incidental expenses of the District authorized under the Act. Moneys in the Surplus Account may, at the City's discretion, also be used to pay the principal of, premium, if any, and interest on the Bonds or to replenish the Reserve Fund to the amount of the Reserve Requirement.

Moneys in the Surplus Account will be held in trust by the City for the benefit of the City and the Owners of the Bonds, is required to be disbursed as provided above, and, pending any disbursements, shall be subject to a lien in favor of the Owners of the Bonds.

Bond Fund.

Establishment of the Bond Fund. There is established under the Fiscal Agent Agreement as a separate fund to be held by the Fiscal Agent the Crocker Ranch Community Facilities District No. 1 Special Tax Bonds Bond Fund, to the credit of which deposits shall be made as required by the Fiscal Agent Agreement or the Act. 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, including any amounts due on the Bonds by reason of the sinking payments set forth in the Fiscal Agent Agreement or any redemption of the Bonds pursuant to the Fiscal Agent Agreement.

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

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

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

Reserve Fund.

There is established in the Fiscal Agent Agreement as a separate fund to be held by the Fiscal Agent the Crocker Ranch Community Facilities District No. 1 Special Tax Bonds Reserve Fund. In lieu of funding the Reserve Fund with cash or in replacement thereof, the Reserve Fund may be funded with a Reserve Fund Credit Instrument. 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.

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

Transfer of Excess of Reserve Requirement. Whenever, on the Business Day prior to any Interest Payment Date, the amount in the Reserve Fund exceeds the then applicable Reserve Requirement, the Fiscal Agent shall transfer an amount equal to the excess from the Reserve Fund to the Improvement Fund, if the Improvements have not been completed as of the date of such transfer, or if the Improvements have been completed, 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 after making premium, if any, due upon redemption, and make any transfer required under the Fiscal Agent Agreement and upon receipt of an Officer's Certificate directing it to do so, the Fiscal Agent shall transfer the amount in the Reserve Fund to the Bond Fund to be applied, on the next succeeding Interest Payment Date to the payment and redemption of all of the Outstanding Bonds. In the event that the amount so transferred from the Reserve Fund to the Bond Fund exceeds the amount required to pay and redeem the Outstanding Bonds, the balance in the Reserve Fund shall be transferred to the City, after payment of any amounts due the Fiscal Agent, to be used for any lawful purpose of the City.

Improvement Fund.

Establishment of Improvement Fund. There is established in the Fiscal Agent Agreement as a separate fund to be held by the Finance Director, the Crocker Ranch Community Facilities District No. 1 Special Tax Bonds Improvement Fund to the credit of which a deposit shall be made as required by the Fiscal Agent Agreement. Moneys in the Improvement Fund shall be held in trust by the Finance Director and shall be disbursed as provided in the Fiscal Agent Agreement for the payment or reimbursement of costs of the Project.

Procedure for Disbursement. Disbursements from the Improvement Fund shall be made as determined by the Finance Director for the payment or reimbursement of the costs of the Project, including for costs of acquisition of portions of the Project in accordance with the Acquisition Agreement.

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

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

Costs of Issuance Fund.

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

Disbursement. Amounts in the Costs of Issuance Fund shall be disbursed from time to time to pay Costs of Issuance, as set forth in a requisition containing respective amounts to be paid to the designated payees, signed by the Treasurer or Finance Director or a designee thereof and delivered to the Fiscal Agent. The Fiscal Agent shall maintain the Costs of Issuance Fund for a period of six months, from the Closing Date 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 received by the Fiscal Agent shall be submitted to the Treasurer or Finance Director for payment from amounts on deposit 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 herein 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 ten percent (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.

Compliance with Law; Completion of Project. The City will comply with all applicable provisions of the Act and the law in completing the acquisition and construction of the Project; provided that the City shall have no obligation to advance any funds to complete the Project in excess of the amounts available therefor in the Improvement Fund.

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. On or within five (5) Business Days of each June 1, the Fiscal Agent shall provide the Treasurer and Finance Director with a notice stating the amount then on deposit in the Bond Fund and the Reserve Fund. The receipt of such notice by the Treasurer and Finance Director shall in no way affect the obligations of the Treasurer or Finance Director under the following two paragraphs. Upon receipt of such notice, the Treasurer shall communicate with the Finance Director to ascertain the relevant parcels on which the Special Taxes are to be levied, taking into account any parcel splits during the preceding and then current year.

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

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

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

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

Investments; Disposition of Investment Proceeds

Deposit and Investment of Moneys in Funds. Moneys in any fund or account created or established by the Fiscal Agent Agreement and held by the Fiscal Agent shall be invested by the Fiscal Agent in Permitted Investments, as directed pursuant to an Officer's Certificate filed with the Fiscal Agent at least two Business Days in advance of the making of such investments.

The Fiscal Agent or the Treasurer, as applicable, shall sell or present for redemption, any investment security whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such investment security is credited and neither the Fiscal Agent nor the Treasurer shall be liable or responsible for any loss resulting from the acquisition or disposition of such investment security in accordance with 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. The City shall notify the Fiscal Agent of any amounts determined to be due to the federal government, and the Fiscal Agent shall, upon receipt of an Officer's Certificate of the City, withdraw such amounts from the Reserve Fund pursuant to the Fiscal Agent Agreement, and pay such amounts to the federal government as required by the Code and the Regulations. In the event of any shortfall in amounts available to make such payments, the Fiscal Agent

shall notify the Finance Director in writing of the amount of the shortfall and the Finance Director 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 Fifty Million Dollars (\$50,000,000) including, for such purpose, the combined capital and surplus of any parent holding company, and subject to supervision or examination by federal or state authority.

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

If no appointment of a successor Fiscal Agent has been made within thirty (30) days after the Fiscal Agent has 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

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

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

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

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

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

(D) to make such additions, deletions or modifications as may be necessary or desirable to assure compliance with Section 148 of the Code relating to required rebate of excess

investment earnings to the United States or otherwise as may be necessary to assure exclusion from gross income for federal income tax purposes of interest on the Bonds or to conform with the Regulations.

Procedure for Amendment with Written Consent of Owners. The City and the Fiscal Agent may at any time enter into a Supplemental Agreement amending the provisions of the Bonds or of the Fiscal Agent Agreement or any Supplemental Agreement, to the extent that such amendment is permitted by 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 sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding (exclusive of Bonds disqualified as provided in the Fiscal Agent Agreement) and a notice shall have been mailed as provided in the Fiscal Agent Agreement.

Miscellaneous

Discharge of Agreement. If the City has paid and discharged 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 provided for in the Fiscal Agent Agreement, 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 provided for in the Fiscal Agent Agreement, 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 has been given as in the Fiscal Agent Agreement provided or provision satisfactory to the Fiscal Agent has 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 paid all sums due thereon and all amounts owing to the Fiscal Agent; and thereafter Special Taxes shall not be payable to the Fiscal Agent.

Any funds thereafter held by the Fiscal Agent upon payments of all fees and expenses of the Fiscal Agent, which are not required for said purpose, shall be paid over to the City.

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 expressly provided in the Fiscal Agent Agreement, 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 expressly provided in the Fiscal Agent Agreement, 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 herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law.

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APPENDIX D

THE CITY OF ROSEVILLE

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

The City of Roseville is located in Placer County, in California's Sacramento Valley, near the foothills of the Sierra Nevada mountain range, about 16 miles northeast of Sacramento and 110 miles east of San Francisco. The City, with a population estimated to be approximately 83,000 at January 1, 2001, is the largest city in Placer County as well as the residential and industrial center of the County.

The City has warm summers typical of central California, with an average July temperature of 74 degrees. Winter temperatures are moderate; the average January temperature is 45 degrees. The temperature drops below freezing an average of eight days per year. Rainfall averages 20 inches annually and falls mostly during the winter.

There is a wide variety of land uses within the City. Most of the City's residential neighborhoods are located west of Interstate Highway 80; industrial facilities, including Hewlett-Packard, NEC Electronics, Inc. and Roseville Telephone Company are concentrated in the north Roseville area.

Municipal Government

The City was incorporated on April 10, 1909 and is a charter city. The City operates under the council-manager form of government, with a five-member City Council elected at large for staggered four-year terms. At each election, the council member receiving the most votes is appointed mayor pro-tempore for two years and becomes mayor for the final two years.

City services include, among others, police and fire protection, library services, street maintenance, and parks and recreation. The City also owns two golf courses and provides its own electricity, water, sewer and refuse services to its citizens.

Population

Between 1997 and 2001, the City's population increased 30.7%, compared to a 21.2% increase for the County and 6.6% for the State for the same period. The City's growth in population is shown below.

**City of Roseville
Population
1997 through 2001**

Year (As of January 1)	City of Roseville	County of Placer	State of California
1997	63,500	212,400	32,670,000
1998	67,300	219,400	33,226,000
1999	72,100	227,500	33,776,000
2000	80,100	248,700	34,207,000
2001	83,000	257,500	34,818,000

Source: California State Department of Finance.

Employment and Industry

Placer County, along with El Dorado and Sacramento Counties, comprise the Sacramento Metropolitan Statistical Area. The following table summarizes the labor force, employment and unemployment figures, as well as the distribution of employment by industry in the Sacramento Metropolitan Statistical Area labor market.

**Sacramento Metropolitan Statistical Area
Labor Force, Employment and Unemployment
Annual Average for Calendar Years 1997 through 2001**

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Civilian Labor Force ⁽¹⁾	741,700	760,100	786,900	810,700	829,800
Employment	702,000	723,200	755,300	777,900	796,300
Unemployment	39,700	36,900	31,600	32,800	33,600
Unemployment Rate	5.4%	4.9%	4.0%	4.0%	4.0%
<u>Wage and Salary Employment:</u> ⁽²⁾					
Total All Industries	629,000	655,700	689,800	713,800	736,800
Agriculture	3,800	3,700	3,900	4,000	4,400
Nonagricultural Industries	625,200	652,000	685,900	709,700	732,400
Mining	200	200	200	300	400
Construction	33,200	37,100	43,500	47,500	53,000
Manufacturing	45,300	46,800	48,500	50,700	51,300
Transportation, Public Utilities	24,700	26,200	27,100	27,500	28,100
Wholesale Trade	25,000	25,900	26,400	26,100	26,700
Retail Trade	111,700	114,200	118,500	126,400	129,800
Finance, Insurance, Real Estate	42,200	47,500	49,700	47,800	49,100
Services	173,900	182,500	193,400	202,000	205,700
Government	169,100	171,800	178,600	181,400	188,400

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

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

Source: State of California Employment Development Department.

The unemployment rate in the Sacramento MSA was 4.9 percent in February 2002, down from a revised 5.3 percent in January 2002, but above the year-ago estimate of 4.0 percent. This compares with an unadjusted unemployment rate of 6.4 percent for California and 6.1 percent for the nation during the same period.

The total number of wage and salary jobs in the Sacramento MSA increased slightly from 734,000 jobs in January 2002 to 734,200 jobs in February 2002. The net increase of 200 jobs was primarily due to gains in government, services and construction jobs, but those gains were largely offset by cutbacks in other industries.

Government increased by 1,500 jobs largely due to an increase of 900 local education jobs and 300 state education jobs. The services and construction industries each added 200 jobs, while farm employment expanded slightly by 100 jobs. Offsetting most of those gains, trade experienced a seasonal decline of 700 jobs. Manufacturing and the transportation and public utilities industry each lost 400 jobs, while the finance insurance and real estate industry experienced a decline of 300 jobs.

Between February 2001 and February 2002, the total job count was up by 12,000 jobs or 1.7 percent. Government experienced a net increase of 10,200 jobs due to gains in state and local education segments. Construction was up by 3,600 jobs, trade by 2,300 jobs, farm by 900 jobs and the services industry by 600 jobs. Somewhat offsetting those gains, manufacturing remained down with a decline of 4,800 jobs losses spread across a variety of durable and nondurable goods segments. The transportation and public utilities industry declined by 500 jobs, while the finance, insurance and real estate was off by 300 jobs during the year.

The table below lists the ten largest employers in the City.

**City of Roseville
Largest Employers
March 2002**

<u>Business</u>	<u>No. of Employees</u>	<u>Description</u>
Hewlett-Packard	6,269	Manufacturing
Sutter Roseville Medical Center	1,300	Acute Care Hospital
NEC Electronics Inc.	700	Electronics Manufacturing
Roseville Telephone Company	667	Public Utility
Earthlink Inc.	540	Internet Cust. Service
Nordstrom, Inc.	450	Department Store
TASQ Technology, Inc.	350	Electronic Distribution
The Home Depot No. 636	299	Home Improvement Retail
Future Ford Inc.	260	Auto Dealer
The Home Depot No. 6688	257	Home Improvement Retail

Source: City of Roseville. Economic Development

Construction

The City issued building permits valued in excess of \$541.3 million in 2000. Of this total dollar volume, approximately 73% consisted of new residential construction. The following table shows residential and non-residential building permits for calendar years 1996 through 2000.

City of Roseville
Total Building Permit Valuations
TOTAL BUILDING PERMIT VALUATIONS⁽¹⁾
(\$'s in thousands)

<u>Permit Valuation</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
New Singlefamily	\$248,709.3	\$265,817.8	\$342,595.8	\$231,549.9	\$313,769.6
New Multi-family	0.0	19,284.7	30,707.4	38,746.2	83,145.1
Res. Alterations/Additions	<u>4,242.8</u>	<u>4,216.8</u>	<u>4,054.3</u>	<u>1,584.3</u>	<u>1,593.0</u>
Total Residential	252,952.0	289,319.2	377,357.4	271,880.4	398,507.7
New Commercial	22,164.0	35,691.4	81,526.1	95,294.4	43,818.8
New Industrial	2,948.0	15,045.3	5,418.9	64,940.3	15,237.0
New Other	8,965.9	6,506.2	8,125.7	13,989.1	17,908.4
Com. Alterations/Additions	<u>26,954.3</u>	<u>19,070.0</u>	<u>29,883.3</u>	<u>36,642.2</u>	<u>65,857.6</u>
Total Nonresidential	61,032.2	76,312.8	124,954.0	210,866.0	142,821.7
 <u>New Dwelling Units</u>					
Single Family	1,607	1,688	2,034	1,204	1,393
Multiple Family	<u>0</u>	<u>330</u>	<u>440</u>	<u>609</u>	<u>1,116</u>
TOTAL	1,607	2,018	2,474	1,813	2,509

⁽¹⁾ Numbers may not add due to rounding.

Source: Construction Industry Research Board, Building Permit Summary

Residential Development. As of July 1, 2000, the City had 31,708 housing units; approximately 75% are single family detached, 20% are apartments and 5% are duplexes and mobile homes. A total of 1,842 building permits, including building permits for 585 apartment units, were issued by the City's Building Division in fiscal year 1999-00. The highest monthly total was in December 1999 with 173 single family permits issued. The final 49 building permits in Del Webb's Sun City Roseville were issued in September 1999.

The City's building permit activity is second only to Sacramento County when compared to jurisdictions throughout the northern Central Valley. The City's developers account for three times as much activity as seen in unincorporated Placer County and the neighboring city of Rocklin. The City expects that single family homebuilders will continue their strong activity.

Multi-Family Residential Development. As of July 1, 2000, a total of 2,554 multifamily units were in process, approved, or under construction. With the City's current inventory of 6,260 units (as of July 1, 2000) the new construction activity represents a 41% increase in the total multi-family units in the City.

Industrial Development. Roseville currently has a total of 6,287,877 square feet of developed industrial space. 56,397 square feet were constructed in fiscal year 1999-00. As of July 1, 2000, 965,933 square feet of industrial projects were under construction.

Office Space Development. The City has a total of 4,755,313 square feet of office space as of July 1, 2000. Developers added 982,316 square feet of office space during fiscal year 1999-00. Office space developers are constructing 307,427 square feet, and the City expects to have over 11 million square feet of office development when all property within the current City limits is developed.

Commercial Development. As of July 1, 2000, the City had 6,187,340 square feet of commercial space. Developers built 226,544 of this space during fiscal year 1999-00. Commercial construction completed in fiscal year 1999-00 included four new gasoline service stations, two drug stores, two restaurants, four automobile-related retail uses, and other uses. In addition, over 1.7 million square feet of retail space is currently under construction, which is expected to receive occupancy permits during the beginning of fiscal year 2000-01. A majority of this space is at the Galleria at Roseville, the City's 1.1 million square foot regional mall which commenced construction in 1998 and was completed in August, 2000. Creekside Town Center is a mixed-use development with 802,000 square feet of retail, 435,000 square feet of office and two hotel sites. The City's second Home Depot is under construction in the Stanford Crossings shopping center. A neighborhood shopping center anchored by Long's Drugs opened in the Southeast Roseville Specific Plan during 2000.

Taxable Sales

During calendar year 2001, reported total taxable sales in the City were reported to be \$2,395,294,000, a 19.0% increase over total taxable transactions of \$2,012,940 that were reported during calendar year 2000. Taxable transactions in the City now exceed \$2 billion annually. A summary of taxable transactions in the City is shown below.

**City of Roseville
Taxable Transactions
Calendar Years 1996 through 2000
(Dollars in thousands)**

	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Apparel	\$ 26,660	\$ 31,738	\$ 29,863	\$ 32,672	\$ 67,603
General Merchandise	133,497	168,402	185,347	216,270	306,446
Drug Stores	14,739	(1)	(1)	(1)	(1)
Food Stores	40,119	42,575	46,327	56,650	64,750
Liquor Stores	(2)	(1)	(1)	(1)	(1)
Eating and Drinking Places	70,203	84,277	93,141	114,344	140,862
Home Furnishing and Apps.	17,547	23,796	32,623	46,138	59,436
Building Mtls and Farm Impts.	85,910	98,107	106,667	127,130	146,088
Service Stations	46,504	50,104	601,395	767,375	897,626
Auto Dealers and Auto Supplies	412,199	543,251	50,189	60,337	84,345
Miscellaneous	<u>112,568⁽³⁾</u>	<u>138,286⁽³⁾</u>	<u>169,936</u>	<u>187,597</u>	<u>273,708</u>
TOTAL RETAIL OUTLETS	\$959,946	\$1,180,536	\$1,315,488	\$1,608,513	\$2,022,864
ALL OTHER OUTLETS	\$215,787	\$ 296,081	\$ 344,128	404,427	372,430
TOTAL ALL OUTLETS	<u>\$1,175,733</u>	<u>\$1,476,617</u>	<u>\$1,659,616</u>	<u>\$2,012,940</u>	<u>\$2,395,294</u>
TOTAL NUMBER OF PERMITS	2,315	2,471	2,423	2,482	2,637

⁽¹⁾ Drug stores have been merged with general merchandise stores and packaged liquor stores have been merged with other retail stores.

⁽²⁾ Disclosure of sales in this category omitted in this year.

Source: California State Board of Equalization.

City Services

The City operates various utilities, including Roseville Electric, Wastewater, Water, Recycled Water and Refuse Services. Other services operated by the City include golf course operations, school-aged child care and local transportation enterprise funds.

APPENDIX E
FORM OF OPINION OF BOND COUNSEL

April 25, 2002

City Council
City of Roseville
311 Vernon Street
Roseville, California 94111

OPINION: \$4,525,000 City of Roseville Crocker Ranch Community Facilities District No. 1 Special Tax Bonds Series 2002

Members of the City Council:

We have acted as bond counsel in connection with the issuance by the City of Roseville (the "City") of \$4,525,000 City of Roseville Crocker Ranch Community Facilities District No. 1 Special Tax Bonds Series 2002 (the "Bonds"), pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, constituting Section 53311, et seq. of the California Government Code (the "Act") and a Fiscal Agent Agreement dated as of April 1, 2002 (the "Fiscal Agent Agreement") by and between the City on behalf of the City of Roseville Crocker Ranch Community Facilities District and BNY Western Trust Company. We have examined the law and such certified proceedings and other papers 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 other certifications of public officials 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.

3. 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 opinion set forth in the preceding sentence is 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 such 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 may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully submitted,

APPENDIX F

FORM OF CONTINUING DISCLOSURE UNDERTAKINGS

CONTINUING DISCLOSURE AGREEMENT
(City)

THIS CONTINUING DISCLOSURE AGREEMENT (the "Disclosure Agreement") is dated as of April 1, 2002, is by and among the City of Roseville, a public body, corporate and politic, organized and existing under and by virtue of the laws of the State of California (the "Issuer" or the "City"), and MuniFinancial, Inc., Temecula, California, in its capacity as Dissemination Agent (the "Dissemination Agent").

WITNESSETH:

WHEREAS, pursuant to the Fiscal Agent Agreement, dated as of April 1, 2002 (the "Agreement"), by and between the City and BNY Western Trust Company, as the Fiscal Agent, the City has issued its City of Roseville Crocker Ranch Community Facilities District No. 1 Special Tax Bonds Series 2002 (the "Bonds"), in the aggregate principal amount of \$4,525,000; and

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

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

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

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

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

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

"Dissemination Agent" shall mean the Dissemination Agent, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated by the City.

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

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule, as they may be designated from time to time pursuant to the Rule.

"Official Statement" means the Official Statement, dated April 11, 2002, relating to the Bonds.

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

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

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

"State" shall mean the State of California.

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

SECTION 2. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than January 15 after the end of the City's fiscal year, commencing with the fiscal year ending June 30, 2002 (for the report due January 15, 2003), provide to each Repository an Annual Report which is consistent with the requirements of Section 3 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 3 of this Disclosure Agreement. Not later than fifteen (15) Business Days prior to said date, the City shall provide the Annual Report to the Dissemination Agent. The City shall provide an Officer's Certificate with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder. The Dissemination Agent may conclusively rely upon such Officer's Certificate of the City.

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

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

(d) The Dissemination Agent shall:

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

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

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

(a) The following information:

1. Principal amount of Bonds outstanding.
2. Balance in the improvement fund or construction account.
3. Balance in debt service reserve fund, and statement of the reserve fund requirement. Statement of projected reserve fund draw, if any.
4. Balance in other funds and accounts held by Issuer or fiscal agent related to the Bonds.
5. Additional debt authorized by the City and payable from or secured by assessments or special taxes with respect to property within the District.
6. The Special Tax levy, the delinquency rate, total amount of delinquencies, number of parcels delinquent in payment.
7. Notwithstanding the June 30th reporting date for the Annual Report, the following information shall be reported as of the last day of the month immediately preceding the date of the Annual Report rather than as of June 30th. Identity of each delinquent taxpayer responsible for 5 percent or more of total special tax/assessment levied, and the following information: assessor parcel number, assessed value of applicable properties, amount of Special Tax levied, amount delinquent by parcel number and status of foreclosure proceedings. If any foreclosure has been completed, summary of results of foreclosure sales or transfers.
8. Most recently available assessed value of all parcels subject to the special tax or assessment.
9. List of landowners and assessor's parcel number of parcels subject to 20 percent or more of the Special Tax levy including the following information: development status to the extent shown in City records, land use classification, assessed value (land and improvements).

(b) 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), 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; provided, that in each Annual Report or other filing containing the City's financial statements, the following statement shall be included in bold type:

THE CITY'S ANNUAL FINANCIAL STATEMENT IS PROVIDED SOLELY TO COMPLY WITH THE SECURITIES EXCHANGE COMMISSION STAFF'S INTERPRETATION OF RULE 15C2-12. NO FUNDS OR ASSETS OF THE CITY OF ROSEVILLE (OTHER THAN THE PROCEEDS OF THE SPECIAL TAXES LEVIED FOR THE CROCKER RANCH COMMUNITY FACILITIES DISTRICT AND SECURING THE BONDS) ARE REQUIRED TO BE USED TO PAY DEBT SERVICE ON THE BONDS AND THE CITY IS NOT OBLIGATED TO ADVANCE AVAILABLE FUNDS FROM THE CITY TREASURY TO COVER ANY DELINQUENCIES. INVESTORS SHOULD NOT RELY ON THE FINANCIAL CONDITION OF THE CITY IN EVALUATING WHETHER TO BUY, HOLD OR SELL THE BONDS.

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

SECTION 4. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 4, the City shall give an Officer's Certificate including notice of the occurrence of any of the following events with respect to the Bonds, if material:

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

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

(c) If the City has determined that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities laws, the City shall promptly notify the Dissemination Agent by Officer's Certificate. Such Officer's Certificate shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (e).

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

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

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

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

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

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

SECTION 9. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their respective powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the City for its services

provided hereunder in accordance with its schedule of fees as amended from time to time, and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Bondholders, or any other party. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 10. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 11. 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, for and on behalf of
City of Roseville Crocker Ranch Community
Facilities District No. 1

By: _____
Authorized Officer

MUNIFINANCIAL INC., as Dissemination
Agent

By: _____
Authorized Officer

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Roseville
Name of Bond Issue: \$4,525,000 City of Roseville Crocker Ranch Community Facilities
District No. 1 Special Tax Bonds Series 2002
Date of Issuance: April 25, 2002

NOTICE IS HEREBY GIVEN that the City of Roseville (the "City") on behalf of City of Roseville Crocker Ranch Community Facilities District No. 1 has not provided an Annual Report with respect to the above-named Bonds as required by the Fiscal Agent Agreement, dated as of April 1, 2002, by and between the City and BNY Western Trust Company, as Fiscal Agent. The City anticipates that the Annual Report will be filed by _____.

Dated: _____

MUNIFINANCIAL, INC., as Dissemination
Agent, on behalf of City of Roseville
Crocker Ranch Community Facilities
District No. 1

By: _____
Authorized Officer

cc: City of Roseville

**CONTINUING DISCLOSURE AGREEMENT
(Developer)**

THIS CONTINUING DISCLOSURE AGREEMENT (the "Disclosure Agreement") dated as of April 1, 2002, is by and between John Mourier Construction, Inc. (the "Developer") and MuniFinancial, Inc., Temecula, California, in its capacity as Dissemination Agent (the "Dissemination Agent").

WITNESSETH:

WHEREAS, pursuant to the Fiscal Agent Agreement, dated as of April 1, 2002 (the "Agreement"), by and between the City and the Dissemination Agent, in its capacity as Fiscal Agent thereunder, the City has issued its City of Roseville Crocker Ranch Community Facilities District No. 1 Special Tax Bonds Series 2002 (the "Bonds"), in the aggregate principal amount of \$4,525,000; and

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

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

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

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

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

"Dissemination Agent" shall mean the Dissemination Agent, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated by the City.

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

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

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule, as they may be designated from time to time pursuant to the Rule.

"Official Statement" means the Official Statement, dated April 11, 2002, relating to the Bonds.

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

"Project" shall mean the proposed 1,095-unit subdivision within the District, as described in the Official Statement.

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

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

"State" shall mean the State of California.

SECTION 2. Provision of Annual Reports.

(a) The Developer shall, not later than April 1st of each year (reflecting reported information as of December 31st of the prior year) beginning with the report due April 1, 2003 and continuing while this agreement is in effect, provide to the Dissemination Agent an Annual Report which is consistent with the requirements of Section 3 of this Disclosure Agreement with a copy to the Issuer. The Developer shall provide a written certification with each Annual Report furnished to the Dissemination Agent and the Issuer to the effect that the Annual Report is being provided pursuant to this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement. If the Developer's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 4(c).

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

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

(d) The Dissemination Agent shall:

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

(iv) (if the Dissemination Agent is other than the Developer), to the extent appropriate information is available to it, file a report with the Developer 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 Developer's Annual Report shall contain or incorporate by reference the following, if material:

(a) Any significant changes in the information contained in the Official Statement under the headings: "THE DISTRICT - Anticipated Development in the District" and the status of completion of the Improvements (as defined in the Official Statement).

(b) An update to the material under the caption "OWNERSHIP OF PROPERTY WITHIN THE DISTRICT - The Developer - Financing Plan" in the Official Statement; such update shall be for the years shown and shall reflect approximate actual data for the projected time periods which have concluded and updated projections for the periods to come.

(c) A general description of the development status of the parcels within the District.

(d) A listing of property within the District sold by the Developer since the date of the Official Statement.

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

(f) Material changes in Project costs, status of any construction loans and any permanent financing received by the Developer with respect to the Project that could have a significant impact on the Developer's ability to complete the construction and sale of homes within the District.

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

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

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

(j) A description of any changes to the Development Agreement which materially adversely affect the development of the property within the District as set forth in the Official Statement.

SECTION 4. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 4, the Developer shall give, to the Dissemination Agent, notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (i) failure to pay any real property taxes (including any assessments or special taxes) levied within the District on a parcel owned by the Developer.
- (ii) the discovery of toxic material or hazardous waste which will require remediation on any property owned by the Developer subject to the Special Tax.
- (iii) default by the Developer on any loan with respect to the construction or permanent financing of public or private improvements with respect to the Project.
- (iv) Initiation of Dissemination Agent bankruptcy proceedings (whether voluntary or involuntary) by the Developer or any related entity.

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

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

SECTION 5. Termination of Reporting Obligation. The obligations of the Developer and the Dissemination Agent under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. In addition the Developer shall have no obligations hereunder if the Special Tax of the District on all property within the District owned by the Developer and affiliates or partners thereof is less than twenty percent (20%) of the total Special Tax for the entire District. If such termination occurs prior to the final maturity of the Bonds, the Developer shall give notice of such termination in the same manner as for a Listed Event under Section 4(c).

SECTION 6. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Developer and the Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent shall agree to any amendment so requested by the Developer, provided no amendment increasing or affecting the obligations or duties of the Dissemination Agent shall be made without the consent of either such party), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 2(a), 3, or 4(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements or change in law;

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

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

SECTION 7. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Developer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Developer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Developer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 8. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Developer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities

which they may incur arising out of or in the exercise or performance of their respective powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the Developer for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Bondholders, or any other party. The obligations of the Developer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 9. Subsequent Developers. The Developer will require, as a condition of sale of any property which the Developer sells within the Project resulting in a new owner who, together with affiliates or partners thereof, owns at least twenty percent (20%) of the total assessments for the entire District, that such purchaser execute an agreement substantially in the form of this Disclosure Agreement, unless this Disclosure Agreement, as it may be amended from time to time, by its own terms would not require the purchaser to provide any disclosure.

SECTION 10. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 11. 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.

[Remainder of page intentionally left blank]

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

John Mourier Construction, Inc.

By: _____

Its: _____

Munifinancial, Inc.,
as Dissemination Agent

By: _____

Authorized Officer

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Roseville

Name of Bond Issue: \$4,525,000 City of Roseville, Crocker Ranch Community Facilities District No. 1, Special Tax Bonds, Series 2002

Date of Issuance: April 25, 2002

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

Dated: _____

on behalf of the Dissemination Agent

By: _____

Its: _____

cc: Developer

APPENDIX G

THE BOOK ENTRY SYSTEM

Book-Entry System

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

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

Redemption notices shall be sent to Cede & Co. If less than all of the bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed. Neither DTC nor Cede & Co. will consent

or vote with respect to the Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to an issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, mandatory redemption and interest payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on payment dates in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the date payable. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Fiscal Agent or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the City or the Fiscal Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be responsibility of Direct and Indirect Participants.

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

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

Discontinuance of Book-Entry System

DTC may discontinue providing its services with respect to the Bonds at any time by giving notice to the Fiscal Agent and discharging its responsibilities with respect thereto under applicable law or the City may terminate participation in the system of book-entry transfers through DTC or any other securities depository at any time. In the event that the book-entry system is discontinued, the City will execute, and the Fiscal Agent will authenticate and make available for delivery, replacement Bonds in the form of registered bonds. In addition, the principal of and redemption premium, if any, on the Bonds will be payable as set forth in the Fiscal Agent Agreement and summarized above under the caption "Description of the Bonds." Bonds will be transferable and exchangeable on the terms and conditions provided in the Fiscal Agent Agreement. See "Transfer or Exchange of Bonds" above.

