

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

NEW ISSUE—BOOK-ENTRY ONLY

Ratings: S&P: AAA

Moody's: Aaa

(See "CONCLUDING INFORMATION—Ratings" herein)

\$32,715,000

**ROSEVILLE FINANCE AUTHORITY
LOCAL AGENCY REVENUE BONDS
(1998 NORTHEAST CFD BOND REFINANCING), SERIES A**

Dated: Date of Delivery

Due: September 1, as shown below

The Roseville Finance Authority Local Agency Revenue Bonds (1998 Northeast CFD Bond Refinancing), Series A (the "Bonds"), are being issued by the Roseville Finance Authority (the "Authority") pursuant to an Indenture of Trust, dated as of July 1, 1998 (the "Indenture"), by and between the Authority and U.S. Bank Trust National Association as trustee (the "Trustee"), and will be secured as described herein. The Bonds are being issued to purchase certain Local Obligations (as described herein) of certain community facilities districts of the City of Roseville, California in order to assist with the refinancing of (i) the City of Roseville Northeast Roseville Community Facilities District No. 1 Special Tax Bonds (Placer County, California) issued on May 11, 1988, currently outstanding in the amount of \$20,145,000 (the "1988 Bonds") and (ii) the City of Roseville Northeast Roseville Community Facilities District No. 2 Special Tax Bonds (Placer County, California), issued on April 4, 1991, currently outstanding in the amount of \$13,090,000 (the "1991 Bonds" and, together with the 1988 Bonds, the "Prior Bonds"), the funding of a reserve fund for the Local Obligations and to pay the costs of issuance of the Bonds. The term "Districts" shall mean, collectively, City of Roseville Northeast Roseville Community Facilities District No. 1 and City of Roseville Northeast Roseville Community Facilities District No. 2.

The Bonds are being issued in fully registered book-entry form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Purchasers will not receive certificates representing their interests in the Bonds. Individual purchases will be in principal amounts of \$5,000 or in any integral multiple thereof. Payments of principal and interest will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds. See "THE BONDS—Book-Entry Only System" herein. The Bonds will be issued in denominations of \$5,000 or any integral multiple thereof, and will be dated as of and bear interest from their date of delivery (the "Closing Date"). Interest on the Bonds will be paid in lawful money of the United States of America semiannually on March 1 and September 1 of each year (each, an "Interest Payment Date"), commencing on March 1, 1999. Interest on the Bonds will be calculated on the basis of a 360-day year comprised of twelve 30-day months.

The Bonds are limited obligations of the Authority. The Bonds are payable solely from Revenues (as defined herein) of the Authority, consisting primarily of payments received by the Authority from the Districts in connection with the Local Obligations, which payments are to be made from Special Taxes received by the Districts as more fully described herein. Payments under the Local Obligations are calculated to be sufficient to permit the Authority to pay the principal of, and interest on, the Bonds when due. See "SECURITY FOR THE BONDS" herein.

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

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



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

**MATURITY SCHEDULE
\$24,355,000 Serial Bonds**

Maturity Date (September 1)	Principal Amount	Interest Rate	Yield	Maturity Date (September 1)	Principal Amount	Interest Rate	Yield
1999	\$1,815,000	4.000%	3.750%	2005	\$2,465,000	4.250%	4.350%
2000	2,015,000	4.000	3.900	2006	2,570,000	4.300	4.400
2001	2,100,000	4.000	4.050	2007	2,680,000	4.400	4.500
2002	2,180,000	4.000	4.150	2008	2,795,000	4.500	4.550
2003	2,270,000	4.125	4.200	2009	540,000	4.500	4.650
2004	2,365,000	4.125	4.250	2010	560,000	4.625	4.750

\$8,360,000 5.00% Term Bonds due September 1, 2021—Yield: 5.230%

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

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

PaineWebber Incorporated

July 17, 1998

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations in connection with the offer or sale of the Bonds described herein, other than as contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the City, the County, the Authority, the Districts or the Underwriters.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the City, the County, the Authority, the Districts and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation of such by the City, the County, the Authority, the Districts or the Underwriter.

The information and expressions of opinion stated herein are subject to change without notice. The delivery of this Official Statement shall not, under any circumstances, create any implication that there has been no change in the affairs of the City, the County, the Authority, the Districts or any major property owner within any District since the date hereof. The Official Statement is submitted in connection with the sale of 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. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts.

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

CITY OF ROSEVILLE, CALIFORNIA

City Council

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

City Staff

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

ROSEVILLE FINANCE AUTHORITY

Authority Members

Claudia Gamar, *Chairperson*
Harry Crabb, *Vice-Chairperson*
Randy Graham
Jim Gray
Pauline Roccucci

Authority Officers

Allen E. Johnson, *Executive Director*
W. Craig Robinson, *Assistant Director*
Phil E. Ezell, *Controller/Treasurer*
Carolyn Parkinson, *Secretary*
Mark Doane, Esq., *General Counsel*

SPECIAL SERVICES

Bond Counsel

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San Francisco, California

Trustee

U.S. Bank Trust National Association

Financial Advisor

Public Financial Management, Inc.
San Francisco, California

Special Tax Administrator

MBIA/Muni Financial
Temecula, California

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OFFICIAL STATEMENT

\$32,715,000

ROSEVILLE FINANCE AUTHORITY LOCAL AGENCY REVENUE BONDS (1998 NORTHEAST CFD BOND REFINANCING), SERIES A

INTRODUCTORY STATEMENT

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

This Official Statement, including the cover page and the Appendices hereto, is provided to furnish certain information in connection with the issuance and sale by the Roseville Finance Authority, a California joint powers authority (the "Authority"), of \$32,715,000 aggregate principal amount of Roseville Finance Authority Local Agency Revenue Bonds (1998 Northeast CFD Bond Refinancing), Series A (the "Bonds").

The Bonds will be issued pursuant to the provisions of an Indenture of Trust dated as of July 1, 1998 (the "Indenture"), by and between the Authority and U.S. Bank Trust National Association, as trustee (the "Trustee"). The Bonds will be issued pursuant to the Marks-Roos Local Bond Pooling Act of 1985, as amended, constituting Article 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California (the "Bond Law"). The Bonds will be issued as fully registered Bonds in book-entry form, in denominations of \$5,000 each or any integral multiple thereof. The Bonds will be dated as of and bear interest from the date of delivery of the Bonds (the "Delivery Date"), at the rates set forth on the cover page hereof and as described herein. See "THE BONDS." Interest on the Bonds will be paid in lawful money of the United States of America semiannually on March 1 and September 1 of each year (each, an "Interest Payment Date"), commencing on March 1, 1999. Interest on the Bonds will be calculated on the basis of a 360-day year comprised of twelve 30-day months.

The Bonds are being issued to finance the acquisition of \$19,005,000 aggregate principal amount of City of Roseville Northeast Roseville Community Facilities District No. 1 Special Tax Bonds (Placer County, California) (the "CFD No. 1 Local Obligations") of City of Roseville Northeast Roseville Community Facilities District No. 1 ("CFD No. 1") and \$13,710,000 aggregate principal amount of City of Roseville Northeast Roseville Community Facilities District No. 2 Special Tax Bonds (Placer County, California) (the "CFD No. 2 Local Obligations" and, together with the CFD No. 1 Local Obligations, the "Local Obligations") of City of Roseville Northeast Roseville Community Facilities District No. 2 ("CFD No. 2" and, together with CFD No. 1, the "Districts"), pursuant to the Mello Roos Community Facilities Act of 1982, as amended (the "Act").

The CFD No. 1 Local Obligations are being issued to (i) refund the City of Roseville Northeast Roseville Community Facilities District No. 1 Special Tax Bonds (Placer County,

California) issued on May 11, 1988, currently outstanding in the amount of \$20,145,000 (the "1988 Bonds"), (ii) to fund a reserve fund for the CFD No. 1 Local Obligations, and (iii) to pay the costs of issuance of CFD No. 1 Local Obligations. The CFD No. 2 Local Obligations are being issued to (i) refund the City of Roseville Northeast Roseville Community Facilities District No. 2 Special Tax Bonds (Placer County, California), issued on April 4, 1991, currently outstanding in the amount of \$13,090,000 (the "1991 Bonds" and, together with the 1988 Bonds, the "Prior Bonds"), and, (ii) to fund a reserve fund for the CFD No. 2 Local Obligations, and (iii) to pay the costs of issuance of the CFD No. 2 Local Obligations.

The Bonds are secured by the Revenues of the Authority under the Indenture. "Revenues" means (i) all amounts received by the Authority from or with respect to the Local Obligations including, but not limited to, all payment of principal thereof and interest thereon, and (ii) investment income on any moneys held in the funds and accounts established with respect to the Bonds. See "SECURITY FOR THE BONDS - General."

Each District has established a Reserve Fund pursuant to a separate Fiscal Agent Agreement, each by and between the City, on behalf of a respective District, and U.S. Bank Trust National Association as Fiscal Agent (the "Fiscal Agent"). Each Reserve Fund will be funded from the proceeds of the respective Local Obligations, with \$1,477,283.72 to be deposited and maintained in the CFD No. 1 Reserve Fund and \$1,065,696.38 in the CFD No. 2 Reserve Fund. In the event of a deficiency in Revenues resulting from a delinquency in the payment of an issue of Local Obligations, the Fiscal Agent shall transfer to the respective Bond Fund from the Reserve Fund corresponding to the District which issued such Local Obligations the amount of such delinquency. Amounts on deposit in the Reserve Fund established for each District are available to make up a deficiency resulting from a default on such District's Local Obligations and are not available to make up deficiencies resulting from a default by the other District on its Local Obligations. See "SECURITY FOR THE BONDS - Reserve Funds for the Local Obligations."

Each of the Local Obligations which secure the Bonds are payable from the special taxes (the "Special Taxes" or the "Special Tax") levied on real property within the boundaries of the respective District. Special Taxes levied within a District may only be applied to pay the Local Obligations of such District and not those of any other District. See "SECURITY FOR THE BONDS - Payment of the Local Obligations" and "SECURITY FOR THE BONDS - The Special Taxes."

CFD No. 1 consists of approximately 538 acres located in the Northeast portion of the City of Roseville (the "City") in the County of Placer (the "County"). It is currently anticipated that in fiscal year 1998-99, payments of the CFD No. 1 Local Obligations will comprise approximately 55.2% of the debt service on the Bonds. The 1997-98 assessed value of the taxable property in CFD No. 1 is \$409,745,764. See "PROPERTY WITHIN CFD NO. 1 AND CFD NO. 2" herein.

CFD No. 2 is substantially coterminous with CFD No. 1, but for approximately 98.1 acres. This area, a certain 22 parcels is not common to both Districts. It is currently anticipated that in fiscal year 1998-99, payments of the CFD No. 2 Local Obligations will comprise approximately 44.8% of the debt service on the Bonds. The 1997-98 assessed value of the

taxable property in CFD No. 2 is \$350,958,765. See “PROPERTY WITHIN CFD NO. 1 AND CFD NO. 2” herein.

The Authority Bonds will be secured by the Local Obligations until September 1, 2008, at which time the CFD No. 1 Local Obligations will mature, leaving the CFD No. 2 Local Obligations as the sole security for the Bonds and their remaining debt service. CFD No. 2 is substantially coterminous with CFD No. 1 but for 22 parcels. Table 1 below sets forth an analysis of parcels not subject to the Special Tax after September 1, 2008.

Table 1
Northeast Roseville Community Facilities District No. 1
Analysis of Parcels Not Subject To The Special Tax After September 1, 2008

Category	Number of <u>Parcels</u>	<u>Acres</u>	Maximum CFD No. 1 Special Tax Levy	Percent of Combined Maximum Special Tax
Non-Taxed Property	3	17.00	--	--
Apartments	4	38.10	\$166,663	3.41%
Commercial	<u>15</u>	<u>43.00</u>	<u>179,150</u>	<u>3.67</u>
Totals	22	98.10	\$345,813	7.08%

Neither the faith and credit nor the taxing power of the Districts, the City, the State of California (the “State”) or any political subdivision thereof is pledged to the payment of the Bonds. The Authority has no taxing power. Except for the Revenues, no other revenues or taxes are pledged to the payment of the Bonds. The Bonds are not general or special obligations of the City or the Districts nor general obligations of the Authority, but are limited obligations of the Authority payable solely from certain amounts deposited by the Authority in the Revenue Fund as more fully described herein.

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

Brief descriptions of the Bonds, the Local Obligations, the security for the Bonds, Special Risk Factors, the Districts, the Authority, the City and other information are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. The descriptions herein of the Bonds, the Local Obligations, indentures, resolutions and other documents are qualified in their entirety by reference to the forms thereof and the information with respect thereto included in the Bonds, the Local Obligations, such resolutions, indentures and other documents. All such descriptions are further qualified in their entirety by reference to laws and to principles of equity relating to or affecting generally the enforcement of creditors’ rights. Copies of such documents may be obtained from the office of the City Clerk of the City.

THE BONDS

General

The Bonds will be issued in book-entry form and The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the Bonds. So long as the Bonds are held in book-entry form, principal of, premium, if any, and interest on the Bonds will be paid *directly* to DTC for distribution to the beneficial owners of the Bonds in accordance with the procedures adopted by DTC. See "Book-Entry Only System" below.

The Bonds will be issued in denominations of \$5,000 or any integral multiple thereof, and will be dated as of and bear interest from their date of delivery (the "Closing Date"). Interest on the Bonds will be paid in lawful money of the United States of America semiannually on March 1 and September 1 of each year (each, an "Interest Payment Date"), commencing on March 1, 1999. Interest on the Bonds will be calculated on the basis of a 360-day year comprised of twelve 30-day months. Interest on any Bond will be payable from the Interest Payment Date next preceding the date of authentication of that Bond, unless (i) such Bond is authenticated after a Record Date and on or before the following Interest Payment Date, in which event interest shall be payable from such Interest Payment Date, or (ii) such Bond is authenticated on or before February 15, 1999, in which event interest shall be payable from the Closing Date; provided, however, that if, as of the date of authentication of any Bond, interest thereon is in default, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon or from the Closing Date, if no interest has been paid or made available for payment.

The Bonds will mature on September 1 in the principal amounts and years as shown on the inside cover page hereof and are subject to optional redemption and mandatory sinking payment redemption as shown below.

Redemption

Optional Redemption. The Bonds maturing on and after September 1, 2009 may be redeemed, at the option of the Authority from any source of available funds, and shall be redeemed from amounts provided by the Districts from an optional prepayment of any Local Obligation, prior to maturity on any Interest Payment Date on or after September 1, 2008, in whole, or in part from such maturities as are selected by the Authority, and by lot within a maturity, at the following redemption prices, expressed as a percentage of the principal amount of Bonds to be redeemed, together with accrued interest to the date of redemption:

Redemption Date	Redemption Price
September 1, 2008 and March 1, 2009	101.0%
September 1, 2009 and March 1, 2010	100.5
September 1, 2010 and thereafter	100

For the purposes of the section of Bonds for optional redemption, the Bonds shall be selected for redemption among maturities by the Authority on such basis that the remaining

payments of principal and interest on the Local Obligations, together with other available Revenues, will be sufficient on a timely basis to pay debt service on the Bonds, as shall be demonstrated in a report of an Independent Financial Consultant filed with the Trustee.

Mandatory Redemption From Principal Prepayments. The Bonds shall be subject to mandatory redemption from prepayment in whole or in part of the Special Tax, including interest and premiums related thereto (the "Prepayments"), which are allocated to such redemption, in whole or in part on any Interest Payment Date at the following respective Redemption Prices (expressed as percentages of the principal amount of the Bonds to be redeemed), plus accrued interest thereon to the date of redemption.

(a) The Bonds maturing on or after September 1, 1999 shall be subject to optional redemption from redemption of the CFD No. 1 Local Obligations from Prepayments, prior to maturity in whole, or in part among maturities and by lot within a maturity, on any Interest Payment Date, at the following respective Redemption Prices (expressed as percentages of the principal amount of the Bonds to be redeemed), plus accrued interest thereon to the date of redemption:

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

(b) The Bonds maturing on or after September 1, 2001 shall be subject to optional redemption from redemption of the CFD No. 2 Local Obligations from Prepayments, prior to maturity in whole, or in part among maturities and by lot within a maturity, on any Interest Payment Date, at the following respective Redemption Prices (expressed as percentages of the principal amount of the Bonds to be redeemed), plus accrued interest thereon to the date of redemption:

Redemption Dates	Redemption Price
September 1, 2000 or March 1, 2001	102%
September 1, 2001 or March 1, 2002	101
September 1, 2002 and thereafter	100

In the event that the Trustee shall receive notice of the redemption of any Local Obligations which will produce Prepayments, such redemption to occur on the Interest Payment Date fixed for such prepayment of the Local Obligations. The proceeds of any such prepayment of the Local Obligations shall be deposited in the Redemption Account and applied by the Trustee to pay the Redemption Price of the Bonds pursuant to the respective Fiscal Agent Agreement.

For the purposes of the section of Bonds for mandatory redemption from Prepayments, the Bonds shall be selected for redemption among maturities of all series of Bonds on a *pro rata*

as nearly as practicable and on such basis that the remaining payments of principal and interest on the Local Obligations, together with other available Revenues, will be sufficient on a timely basis to pay debt service on the Bonds, as shall be demonstrated in a report of an Independent Financial Consultant filed with the Trustee.

Mandatory Sinking Payment Redemption. The Term Bonds maturing on September 1, 2021 shall be called before maturity and redeemed in whole, or in part by lot, on September 1 in each year commencing September 1, 2011 from sinking fund payments that have been deposited by the Authority into the Principal Account at a redemption price equal to the principal amount thereof to be redeemed, without premium, together with accrued interest to the date of redemption, as follows; provided, however, that if some but not all of a maturity of the Term Bonds have been optionally redeemed, the total amount of all future sinking fund payments for the Term Bonds will be reduced by the aggregate principal amount of such Term Bonds so redeemed, to be allocated among the remaining sinking fund payments on a pro rata basis in integral multiples of \$5,000 as determined by the Authority:

Sinking Fund Redemption Date (September 1)	Principal Amount
2011	\$590,000
2012	620,000
2013	650,000
2014	680,000
2015	715,000
2016	750,000
2017	790,000
2018	825,000
2019	870,000
2020	910,000
2021*	960,000

*Maturity

In lieu of the mandatory sinking payment redemption of the Bonds as described above, amounts on deposit in the Revenue Fund which are to be transferred to the Principal Account may also be used and withdrawn by the Trustee at any time, upon the written request of the Authority, for the purchase of Term Bonds at public or private sale as and when and at such prices (which including brokerage and other charges shall not be in excess of the principal amount thereof) as the Authority may in its discretion determine. If some but not all of the Term Bonds have been purchased in lieu of redemption, the total amount of all future sinking fund payments shall be reduced by the aggregate principal amount of Term Bonds so redeemed, to be allocated among such sinking fund payments on a pro rata basis in integral multiples of \$5,000 such that the resulting amount of principal of the remaining Term Bonds subject to mandatory sinking payment redemption on any date is not greater than the aggregate amount of the principal represented by the Special Tax Refunding Bonds coming due and payable on such date.

Selection of Bonds for Redemption. If less than all of a maturity of the Bonds are to be redeemed, the Trustee shall select the Bonds to be redeemed from all Bonds of such maturity not previously called for redemption, by lot in any manner which the Trustee in its sole discretion shall deem fair and appropriate.

Notice of Redemption. So long as the Bonds are held in book-entry form, notice of redemption will be mailed by the Trustee only to DTC and not to the Beneficial Owners (as defined below) of Bonds under the DTC book-entry only system. Neither the Authority nor the Trustee is responsible for notifying the Beneficial Owners (as hereinafter defined), who are to be notified in accordance with the procedures in effect for the DTC book-entry system. See “Book-Entry Only System” below. The notice of redemption will be mailed by first class mail, postage prepaid, by the Trustee to Bondowners at least 30 days but not more than 60 days prior to the redemption date. The notice of redemption shall state the date of the notice, the redemption date, the redemption place, the redemption price and designate the CUSIP numbers, Bond numbers and maturity or maturities of the Bonds to be redeemed. The actual receipt by any Bondowner of such notice of redemption shall not be a condition precedent to redemption, and neither the failure to receive such notice nor any defect therein shall affect the validity of the proceedings for redemption or the cessation of interest on the redemption date.

Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the principal of and interest (and premium, if any) on the Bonds so called for redemption have been duly provided, such Bonds shall cease to be entitled to any benefit under the Indenture other than the right to receive payment of the redemption price, and no interest shall accrue thereon from and after the redemption date specified in the notice. All Bonds which are redeemed shall be cancelled and destroyed.

Book-Entry Only System

The Depository Trust Company, New York, New York (“DTC”), will act as securities depository for the Bonds. The ownership of one fully registered Bond in the aggregate principal amount of each maturity of the Bonds will be registered in the name of Cede & Co., as nominee for DTC. DTC is a limited-purpose trust company organized under the laws of the State of New York, 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, as amended. DTC holds securities of its participants (the “DTC Participants”) and facilitates transactions among the DTC Participants in such securities through electronic book-entry changes in accounts of the DTC Participants, thereby eliminating the need of physical movement of securities certificates. The DTC Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations, some of whom (and/or their representatives) own DTC. Access to the DTC system is also available to other entities such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a DTC Participant, either directly or indirectly (the “Indirect Participant”).

Each DTC Participant will receive a credit balance in the records of DTC in the amount of such DTC Participant’s interest in the Bonds. Each person for whom a DTC Participant acquires an interest in the Bonds, as nominee, may desire to make arrangements with such DTC

Participant to receive a credit balance in the records of such DTC Participant, and may desire to make arrangements with such DTC Participant to have all notices of redemption or other communications to DTC, which may affect such person, forwarded in writing by such DTC Participant and to receive notification of all interest payments. Neither the Authority nor the Trustee will have any responsibility or obligations with respect to the payments or the selection of the beneficial interest in the Bonds to be redeemed in the event of a redemption of less than all of the Bonds or providing of notice to the DTC Participant or the person for whom they act as nominees with respect to the Bonds. For purposes of this Official Statement, the term "Beneficial Owner" shall mean the person for whom the DTC Participant acquires an interest in the Bonds.

AS LONG AS CEDE & CO., OR ITS SUCCESSOR AS A NOMINEE OF DTC, IS THE OWNER OF THE BONDS, REFERENCES HEREIN TO THE OWNERS OF THE BONDS SHALL MEAN CEDE & CO., AS AFORESAID, AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS. THE BENEFICIAL OWNERS WILL NOT RECEIVE BONDS REPRESENTING THEIR BENEFICIAL OWNERSHIP INTEREST IN THE BONDS. IT IS ANTICIPATED THAT EACH BENEFICIAL OWNER WILL RECEIVE A WRITTEN CONFIRMATION OF THE OWNERSHIP INTEREST ACQUIRED BY SUCH BENEFICIAL OWNER IN THE BONDS FROM THE PERSON OR ENTITIES FROM WHOM SUCH OWNERSHIP INTEREST IS ACQUIRED.

Principal and interest payments with respect to the Bonds will be made to DTC or its nominee, Cede & Co., as the owner of the Bonds. Disbursement of such payments to the DTC Participants is the responsibility of DTC; disbursement of such payment to the Beneficial Owners is the responsibility of the DTC Participants and the Indirect Participants. Upon receipt of moneys, DTC's current practice is to immediately credit the accounts of the DTC Participants in accordance with their respective holdings showing on the records of DTC. Payments by the DTC Participants and the Indirect Participants to the Beneficial Owners will be governed by standing instructions and customary practices, as is now the case with municipal securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such DTC Participant or Indirect Participant and not of DTC, the Authority or the Trustee, subject to any statutory and regulatory requirements as may be in effect from time to time. No assurance can be given by the Authority or the Trustee that DTC and the DTC Participants will make all transfers of payment to the Beneficial Owners.

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 the 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.

Neither DTC nor Cede & Co. will consent or vote with respect to the Bonds. Under its usual procedure, 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).

DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving notice to the Authority and discharging its responsibilities with respect thereto

under applicable law. Under such circumstances, if there is not a successor securities depository, the Bonds are required to be delivered as described in the Indenture. The Beneficial Owner upon registration of Bonds held in the Beneficial Owner's name will become the Owner of the Bonds.

The Authority may at times discontinue the use of the system of book-entry only transfers through DTC (or a successor securities depository). In such event, the Bonds will be required to be delivered as described in the Indenture.

In the event that the book-entry only system is discontinued, payments of principal of and interest on the Bonds shall be payable as described above and in the Indenture.

Debt Service Schedule

The following is the debt service schedule for the Bonds assuming no redemptions other than mandatory sinking payment redemptions.

Year (September 1)	Principal	Interest	Annual Debt Service
1999	\$1,815,000	\$1,571,006.70	\$3,386,006.70
2000	2,015,000	1,370,161.26	3,385,161.26
2001	2,100,000	1,289,561.26	3,389,561.26
2002	2,180,000	1,205,561.26	3,385,561.26
2003	2,270,000	1,118,361.26	3,388,361.26
2004	2,365,000	1,024,723.76	3,389,723.76
2005	2,465,000	927,167.50	3,392,167.50
2006	2,570,000	822,405.00	3,392,405.00
2007	2,680,000	711,895.00	3,391,895.00
2008	2,795,000	593,975.00	3,388,975.00
2009	540,000	468,200.00	1,008,200.00
2010	560,000	443,900.00	1,003,900.00
2011	590,000	418,000.00	1,008,000.00
2012	620,000	388,500.00	1,008,500.00
2013	650,000	357,500.00	1,007,500.00
2014	680,000	325,000.00	1,005,000.00
2015	715,000	291,000.00	1,006,000.00
2016	750,000	255,250.00	1,005,250.00
2017	790,000	217,750.00	1,007,750.00
2018	825,000	178,250.00	1,003,250.00
2019	870,000	137,000.00	1,007,000.00
2020	910,000	93,500.00	1,003,500.00
2021	960,000	48,000.00	1,008,000.00
Totals:	\$32,715,000	\$14,256,668.00	\$46,971,668.00

SOURCES AND USES OF FUNDS

The Bonds

The proceeds of the Bonds will be used to finance the acquisition of the Local Obligations, as set forth in the following table:

Sources of Funds	
Principal Amount of the Bonds	\$32,715,000.00
Less: Original Issue Discount	363,791.15
Total Sources:	\$32,351,208.85
Uses of Funds	
Purchase Fund ⁽¹⁾	\$32,351,208.85
Total Uses:	\$32,351,208.85

(1) Funds in the Purchase Fund will be used to purchase the Local Obligations.

The Local Obligations

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

Sources of Funds	CFD No. 1 Local Obligations	CFD No. 2 Local Obligations	Total of Local Obligations
Principal Amount of Local Obligations	19,005,000.00	13,710,000.00	\$32,715,000.00
Less: Original Issue Discount	(76,512.60)	(287,278.55)	(363,791.15)
Amounts in funds and accounts related to Prior Bonds	3,999,977.32	2,542,011.64	6,541,988.96
Total Sources	\$22,928,464.72	\$15,964,733.09	\$38,893,197.81
Uses of Funds			
Refunding Fund	\$20,994,230.82	\$14,556,551.27	\$35,550,782.09 ⁽¹⁾
Reserve Fund	1,477,283.72	1,065,696.38	2,542,980.10 ⁽²⁾
Costs of Issuance	456,950.18	342,485.44	799,435.62 ⁽³⁾
Total Uses	\$22,928,464.72	\$15,964,733.09	\$38,893,197.81

(1) To be applied to refund the outstanding Prior Bonds. See "PLAN OF REFUNDING."

(2) To be transferred to the Trustee, who will deposit such amounts in the respective Reserve Fund as described under "SECURITY FOR THE BONDS – Reserve Funds for the Local Obligations."

(3) To be transferred to the Trustee to pay the costs of issuance of the Bonds. Of such amount, \$249,561.55 will pay the Underwriter's fee and \$338,196.01 will pay the premium for the Bond Insurance Policy.

PLAN OF REFUNDING

Concurrently with the issuance of each of the Local Obligations, the Districts will each enter into an Escrow Agreement, dated as of July 1, 1998 (each an "Escrow Agreement"), with U.S. Bank Trust National Association, acting as escrow bank (the "Escrow Bank"). A portion of the proceeds from the sale of the Local Obligations will be deposited into separate refunding funds established under the Escrow Agreements (the "Refunding Funds"). Amounts deposited in the Refunding Fund will be used to purchase direct, noncallable obligations of the United States of America (the "Federal Securities"). The Federal Securities, together with earnings thereon, and certain cash held in the Refunding Fund, will be used to redeem the Prior Bonds to and including the respective dates of redemption thereof, as verified by Deloitte & Touche LLP (the "Verification Agent"). See "CONCLUDING INFORMATION - Verification of Mathematical Computations."

The moneys and securities on deposit in the respective Refunding Funds, together with earnings thereon, and certain cash held in such Refunding Fund, will be used to redeem all of the respective outstanding 1988 Bonds on December 1, 1998 and all outstanding 1991 Bonds on September 1, 2000, to pay a redemption premium of 2% of the principal amount redeemed, and to pay all interest which will become due with respect to the 1988 Bonds and the 1991 Bonds from the date of issuance of the Bonds to and including such respective redemption dates.

The moneys and securities held in the Refunding Funds are pledged to the payment of the Prior Bonds. Neither the moneys nor the principal of the escrow securities deposited with the Escrow Bank nor the interest thereon will be available for the payment of the Local Obligations or the Bonds.

SECURITY FOR THE BONDS

General

The Bonds will be issued pursuant to the provisions of the Indenture and pursuant to the Bond Law for the purpose of financing the acquisition of the Local Obligations. The Bonds are secured by the Revenues of the Authority, which include all amounts received by the Authority in connection with the Local Obligations and all investment income on any moneys held in funds and accounts established with respect to the Bonds.

The Revenues will be obtained by the Authority primarily from payments of the principal of and interest on the Local Obligations. The Local Obligations and the interest thereon are payable from a portion of the annual Special Taxes to be levied and collected on the real property within each District subject to the Special Taxes and the proceeds, if any, from the sale of such property for delinquency of such Special Taxes. Annual payments of principal of, and interest on, the Local Obligations are payable from the Special Taxes collected within the Districts issuing such Local Obligations during that year and remaining after the payment of Administrative Expenses (the "Net Taxes"), without priority for number, dated date of the Local Obligations, date of sale, date of execution or date of delivery. See "- Payments of the Local Obligations" below.

The CFD No. 1 Local Obligations are being issued by CFD No. 1 and the CFD No. 2 Local Obligations are being issued by CFD No. 2, each pursuant to the Act, resolutions adopted on June 30, 1998 by the City Council (the "City Council") of the City, acting as the legislative body of each District, and a Fiscal Agent Agreement with respect to each of the Local Obligations, each by and between the City of Roseville and U.S. Bank Trust National Association, as Fiscal Agent (each a "Fiscal Agent Agreement" and collectively, the "Fiscal Agent Agreements").

The Authority has covenanted that it will not issue additional indebtedness payable from the Revenues. Each District has covenanted in its Respective Fiscal Agent Agreement that it will not issue any additional indebtedness (other than Administrative Expenses) secured by a pledge of the Special Taxes. However, neither the Authority nor any District has any control over the amount of additional debt payable from taxes or assessments on all or a portion of the property within such District that may be issued in the future by other governmental entities or districts having jurisdiction over all or a portion of the land within such District. See "DIRECT AND OVERLAPPING BONDED DEBT." To the extent such indebtedness is payable from assessments, other special taxes levied pursuant to the Act or taxes, such assessments, special taxes and taxes may have a lien on the property within such District on a parity with the lien of the Special Taxes. See "SPECIAL RISK FACTORS – Cumulative Burden of Parity Taxes and Special Assessments."

THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM AND SECURED SOLELY BY THE REVENUES PLEDGED THEREFOR IN THE INDENTURE. THE BONDS ARE NOT A DEBT OF THE DISTRICTS, THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS OTHER THAN THE AUTHORITY. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE DISTRICTS, THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS IS PLEDGED TO THE PAYMENT OF PRINCIPAL OR INTEREST ON THE BONDS. THE AUTHORITY HAS NO TAXING POWER. NONE OF THE DISTRICTS, THE CITY, THE STATE NOR ANY OF ITS POLITICAL SUBDIVISIONS IS LIABLE FOR THE PAYMENT OF THE BONDS. IN NO EVENT SHALL THE BONDS OR ANY INTEREST OR REDEMPTION PREMIUM THEREON BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE OF THE AUTHORITY AS SET FORTH IN THE INDENTURE. NEITHER THE BONDS NOR THE LOCAL OBLIGATIONS CONSTITUTE AN INDEBTEDNESS OF THE AUTHORITY, THE DISTRICTS, THE CITY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

Revenue Fund

All Revenues received by the Authority are to be transferred to the Trustee for deposit into the Series A Revenue Fund (the "Revenue Fund") established under the Indenture. On each Interest Payment Date and date for redemption of the Bonds amounts in the Revenue Fund are required to be deposited, in the following order of priority, into the accounts and funds related to the Bonds. First, the Trustee will deposit in the Interest Account of the Revenue Fund the amount required to cause the aggregate amount on deposit in the Interest Account to equal the amount of interest due and payable with respect to all outstanding Bonds on such Interest Payment Date or

to be paid on the Bonds being redeemed on such date. Second, the Trustee will deposit in the Principal Account of the Revenue Fund the amount required to cause the aggregate amount on deposit in the Principal Account to equal the amount of principal of, and premium, if any, on the Bonds coming due on such Interest Payment Date or required to be redeemed on such date.

The principal and interest due on all Bonds until maturity will be paid by the Trustee from amounts transferred to it from the Interest Account and Principal Account of the Revenue Fund for the Bonds.

On each September 1, after the deposit of Revenues into the accounts and funds related to the Bonds as described above, upon request of the Authority, the Trustee will transfer from the Revenue Fund to the Rebate Fund such amount as specified in a request of the Authority. All funds deposited in the Rebate Fund will be held by the Trustee in trust for payment to the United States Treasury as set forth in the Indenture.

See Appendix D hereto for a more detailed description of certain provisions of the Indenture.

Reserve Fund

No reserve fund is established for the Bonds. Each series of Local Obligations is secured by a separate reserve fund established under the respective Fiscal Agent Agreement. See "Reserve Funds for the Local Obligations" herein.

Payment of the Local Obligations

The Local Obligations have been issued under and are governed by the terms of the applicable Fiscal Agent Agreement. The CFD No. 1 Local Obligations have a final maturity date of September 1, 2008, and the CFD No. 2 Local Obligations have a final maturity September 1, 2021. See Appendix E hereto for a description of certain provisions of the Respective Fiscal Agent Agreements.

The Revenues are primarily composed of payments of interest and principal to be received by the Authority, as owner of the Local Obligations. The Local Obligations of a District and the interest thereon are payable from the Special Taxes remaining after payment of the Administrative Expenses of such District as provided in such District's Fiscal Agent Agreement. The amount of Special Taxes that any District may levy in any year is strictly limited by the maximum rates approved by the qualified electors within such District. See "Special Tax Formulas of Apportionment" below and Appendices A and B hereto.

Each District is only responsible for the principal and interest on the Local Obligations which it issued. The percentage of total Revenues generated by payment on each District's Local Obligations varies. Set forth in the table below is the percentage of Revenues generated by the anticipated payment on each District's Local Obligations for fiscal years 1998-99 through 2007-08, and the percentage of Revenues generated by the anticipated payment of each District's Local Obligations for fiscal years 2008-09 through 2020-21 and the percentage of total Revenues projected to be generated by the anticipated payment of each District's Local Obligations while the Bonds are Outstanding.

Percentage of Revenues from Local Obligations

<u>CFD</u>	Percentage of Revenues Fiscal Year 1998-99 to 2007-08	Percentage of Revenues Fiscal Year 2008-09 to 2020-21	Percentages of Total Revenues
CFD No. 1	70.3%	--	49.3%
CFD No. 2	29.7	100%	50.7

Each Fiscal Agent Agreement provides that the Local Obligations are subject to optional redemption, mandatory redemption from prepayment of the Special Tax, and mandatory sinking payment redemption.

Each series of Local Obligations may be redeemed, at the option of the applicable District, from any source of funds on any date prior to maturity, in whole, other than Prepayments, or in part in the order of maturity selected by the District and by lot within a maturity, at the following redemption prices or at such lesser redemption prices as are consented to by the Authority, so long as all Local Obligations are owned by the Authority, expressed as a percentage of the principal amount to be redeemed, together with accrued interest to the date of redemption.

Redemption Dates	Redemption Prices
September 1, 2008 through August 31, 2009	101.0%
September 1, 2009 through August 31, 2010	100.5
September 1, 2010 and thereafter	100

The Local Obligations are subject to mandatory redemption from Prepayments according to the schedule set forth under the caption "THE BONDS – Redemption - *Mandatory Redemption From Principal Prepayments*."

So long as the Local Obligations are owned by the Authority, a District may optionally redeem its Local Obligations only if it shall have delivered to the Authority a certificate of an independent financial consultant to the effect that, following such optional redemption of the Local Obligations, the Revenues, assuming timely payment by all Local Obligations, will be adequate to make timely payment of the principal and interest on the Bonds and the Authority and Financial Security, shall have consented, in writing, to such optional redemption by the District.

In the event of a partial optional redemption of the Local Obligations subject to mandatory sinking payment redemption, the remaining sinking fund payments for such Local Obligations will be reduced, as nearly as practicable, on a pro rata basis.

The Net Taxes of a District and other amounts held on the Special Tax Fund of a District (other than the Administrative Expense Account) constitute a trust fund for the payment of the principal of, and interest on, the Local Obligations of such District. Net Taxes and other amounts, if any, deposited in the Rebate Fund and the Reserve Fund created pursuant to each Fiscal Agent Agreement are not pledged to the payment of any of the Local Obligations, and none of the Rebate Fund, the Reserve Fund, the Acquisition and Construction Fund or the

Administrative Expense Account created pursuant to each Fiscal Agent Agreement shall be construed as a trust fund held for the benefit of the owners of any Local Obligations.

The Special Taxes

In its Fiscal Agent Agreement, each District has covenanted that so long as any of its Local Obligations are outstanding it will annually levy the Special Tax against all Taxable Land (as hereinafter defined) in the District and make provision for the collection of the Special Tax in amounts which will be sufficient, after making reasonable allowances for contingencies and errors in the estimates, to yield proceeds equal to the amounts required for compliance with the agreements, conditions, covenants and terms contained in the Fiscal Agent Agreement, and which in any event will be sufficient to pay the interest on, principal of, mandatory sinking fund Payments for and redemption premiums, if any, on the Bonds as they become due and payable, to replenish the Reserve Fund to the respective Reserve Requirement, and to pay all current Expenses (as hereinafter defined) as they become due and payable in accordance with the provisions in the Resolution. See "SPECIAL RISK FACTORS" and Appendices A and B hereto.

The amount of Special Taxes that may be levied by the Districts in each year is limited by the maximum Special Tax rates set forth in the Special Tax Formula for each District. For a more complete discussion of the varying tax rates and an estimate of the fiscal year 1998-99 maximum Special Tax rates for each District, see "SECURITY FOR THE BONDS - Special Tax Formulas of Apportionment" and Appendices A and B hereto.

Although the Special Taxes will be levied against, and constitute a lien against, taxable parcels within each District, they do not constitute a personal indebtedness of the respective property owners. There is no assurance that the property owners will be financially able to pay the annual Special Taxes or that they will pay such taxes even if financially able to do so. As of April 30, 1998, the CFD No. 1 had experienced a Special Tax delinquency rate of 1.21% and CFD No. 2 had experienced a Special Tax delinquency rate of 1.37%. See "PROPERTY WITHIN CFD NO. 1 AND CFD NO. 2 - Delinquent Special Taxes" for a description of the delinquency history of each District.

Special Tax Formulas of Apportionment

General. Each District is legally authorized and has covenanted to cause the levy of the Special Taxes in an amount determined according to a methodology which the City Council of the City and the qualified electors of such District have approved (each, a "Special Tax Formula" and collectively, the "Special Tax Formulas"). Each Special Tax Formula apportions the total amount of Special Taxes to be collected among the taxable parcels in each District as more particularly described herein. Each District has adopted its own rate and method of apportionment of special tax following public hearings and an election conducted pursuant to the provisions of the Act. A copy of each District's Special Tax Formula of Special Tax is set forth in full in Appendices A and B hereto.

Certain types of property may be absolutely exempt from the Special Taxes or may be initially exempt from the Special Taxes. See "SPECIAL RISK FACTORS - Insufficiency of

Special Taxes” for a general description of such property. The Special Tax Formula for each District taxes non-exempt property as set forth below.

Rate and Method of Apportionment of Special Tax for CFD No. 1. The Special Tax Formula of Special Tax for CFD No. 1 (the “CFD No. 1 Special Tax Formula”) is to be levied and collected according to the rates and method of apportionment set forth in Appendix A - “SPECIAL TAX FORMULA” (the “CFD No. 1 Special Tax Formula”). The CFD No. 1 Special Tax is to be allocated among the Taxable Land within CFD No. 1, based upon land use categories and the number of acres of land in each such land use category, subject to a maximum tax that may be levied against each land use category, pursuant to the City of Roseville Northeast Roseville Financing Plan (the “Financing Plan”), which was approved by Resolution No. 87-223 adopted by the City Council on December 9, 1987. See “PROPERTY WITHIN CFD NO. 1 AND CFD NO. 2” herein. The land use categories for the property were determined based upon the land use categories set forth in the Northeast Roseville Specific Plan, covering most of the property within CFD No. 1, approved pursuant to Resolution No. 87-52 adopted by the City Council on April 8, 1987. In the case of one parcel not covered by the Northeast Roseville Specific Plan (Parcel 13a), the land use category was determined based upon the anticipated use of such property. See “PROPERTY WITHIN CFD NO. 1 AND CFD NO. 2” herein. For purposes of determining the CFD No. 1 Special Tax, the land use categories for property within CFD No. 1 are fixed at the land use categories identified in the Financing Plan irrespective of any subsequent changes in zoning or intended uses for property within CFD No. 1. The maximum annual tax rates described in Appendix A range from \$946 per acre for Parcel 12, to \$4,015 per acre for Single Family Residential, to \$7,969 per acre for Commercial.

Table B-8 included in Appendix A - “SPECIAL TAX FORMULA,” shows the number of acres of land, the percentage share of the CFD No. 1 Special Tax, the maximum annual tax, and the maximum annual tax rate per acre of land for each land use category. On an annual basis, the City Council is to establish the annual CFD No. 1 Special Tax by ordinance, based on the following steps:

(1) The total annual CFD No. 1 Special Tax required is to be calculated in an amount sufficient to pay all Debt Service on the Bonds as it becomes due and payable, replenish the Reserve Fund to the Respective Reserve Requirement, and pay all Expenses as they become due and payable.

(2) The percentage share of the annual CFD No. 1 Special Tax borne by each land use category, as set forth in Table B-8 of Appendix A, is to be multiplied by the total amount of the annual CFD No. 1 Special Tax to determine the amount of the CFD No. 1 Special Tax levy for each land use category. This amount is to be divided by the number of acres in each land use category to determine the CFD No. 1 Special Tax levy per acre of land in each land use category.

(3) For each land use category, the tax rate per acre calculated pursuant to step (2) is compared to the maximum annual tax rate per acre for such land use category, as set forth in Table B-8 of Appendix A (the “Maximum Annual Tax Rates”). If there are no land use categories for which the tax rate per acre calculated pursuant to step (2) exceeds the Maximum Annual Tax Rate per acre for such category, the calculation of the annual CFD No. 1 Special Tax per acre for each land use category is completed and shall be set in accordance with step (2).

(4) If there are one or more land use categories for which the tax rates calculated pursuant to step (2) exceed the Maximum Annual Tax Rates per acre for such categories, the applicable tax rates for any such land use categories are to be decreased and set at the applicable Maximum Annual Tax Rates per acre for such categories. In such an event, to the extent that the tax rates for any other land use categories are below the applicable Maximum Annual Tax Rates per acre for such other land use categories, the tax rates for such other land use categories are to be increased until the deficit is cured or until the applicable Maximum Annual Tax Rates per acre for such other land use categories are reached. While the CFD No. 1 Special Tax Formula does not specify how the deficit would be allocated among more than one such other land use categories, the City intends to allocate any deficit among such other land use categories for which the tax rates had not reached the Maximum Annual Tax Rates per acre proportionately based on the percentages set forth in Table B-8 of Appendix A (after having recalculated such percentages by allocating the percentages for land use categories which had reached their Maximum Annual Tax Rates per acre among such other land use categories which had not reached their Maximum Annual Tax Rates per acre proportionately based upon their previous percentages). In the event that the Maximum Annual Tax Rates per acre for any such other land use categories are reached before the deficit is cured, the remaining deficit will continue to be allocated among any land use categories for which the Maximum Annual Tax Rates per acre have not yet been reached based upon this same procedure until the deficit is cured or until the Maximum Annual Tax Rate per acre for each land use category is reached.

For a description of the CFD No. 1 Special Tax Formula to be used by the City in establishing the CFD No. 1 Special Tax, and a description of the tax rates, rate descriptions, and rate categories, see APPENDIX A - "CFD NO. 1 SPECIAL TAX FORMULA." At the election held on March 1, 1988, the qualified landowner electors within CFD No. 1, among other things, approved the formula for establishing and allocating the CFD No. 1 Special Tax among the Taxable Land within CFD No. 1.

The CFD No. 1 Special Tax is to be levied against all Taxable Land within CFD No. 1, consisting of approximately 538 acres of land. Taxable Land does not include land designated in the Northeast Roseville Specific Plan as open space, parks, land owned by or to be dedicated in fee to public entities, parcels or portions of parcels the developability of which is restricted by power line easements, and rights-of-way for future public streets. See "PROPERTY WITHIN CFD NO. 1 AND CFD NO. 2." Pursuant to the Act, properties or entities of state, federal, or other local governments are exempt from the CFD No. 1 Special Tax except that property not otherwise exempt which is acquired by a public entity through a negotiated transaction, or by gift or demise, remains subject to the CFD No. 1 Special Tax. In addition, the Act provides that if property subject to the CFD No. 1 Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the CFD No. 1 Special Tax with respect to that property is to be treated as if it were a special assessment. The Act further provides that no other properties or entities are exempt from the CFD No. 1 Special Tax unless the properties or entities are expressly exempted in a resolution of consideration to levy a new tax under the Act or to alter the rate or method of apportionment of an existing tax under the Act. The Act prohibits the City Council from adopting a resolution to reduce the rate of the CFD No. 1 Special Tax or terminate the levy of the CFD No. 1 Special Tax unless the City Council determines that the reduction or termination of the CFD No. 1 Special Tax would not interfere with the timely retirement" of the Bonds.

The annual CFD No. 1 Special Tax is to be established on a per acre basis for each land use category. In the event that any property is sub-divided below a per acre size, the CFD No. 1 Special Tax to be assessed on a per acre basis will be allocated among such smaller parcels based upon parcel sizes.

Although the CFD No. 1 Special Tax will constitute a lien on property subject to taxation within CFD No. 1, it does not constitute a personal indebtedness of the owners of such property. There is no assurance that the owners will be financially able to pay the annual CFD No. 1 Special Tax or that they will pay such tax even if financially able to do so. The risk of the property owners not paying the annual CFD No. 1 Special Tax is more fully described in "SPECIAL RISK FACTORS - Collection of Special Tax."

The full text of the CFD No. 1 Special Tax Formula is set forth in Appendix A hereto.

Rate and Method of Apportionment of Special Tax for CFD No. 2. The Special Tax Formula of Special Tax for CFD No. 2 (the "CFD No. 2 Special Tax Formula") is to be levied and collected against all Taxable Land in CFD No. 2 in amounts which will be sufficient, after making reasonable allowances for contingencies and errors in the estimates, to yield proceeds equal to the amounts required for compliance with the agreements, conditions, covenants and terms contained in the Resolution.

The CFD No. 2 Special Tax is to be levied and collected according to the rates and methods of apportionment set forth in the formula (the "CFD No. 2 Special Tax Formula") set forth in APPENDIX B - "SPECIAL TAX FORMULA" hereto. The CFD No. 2 Special Tax Formula, which was approved by Resolution No. 90-308 adopted by the City on December 19, 1990, will be used to allocate the CFD No. 2 Special Tax required among the Taxable Land based upon land use categories within CFD No. 2.

The CFD No. 2 Special Tax Formula provides that each year the City will determine the annual tax rates sufficient to pay current scheduled Debt Service on all outstanding Bonds (including all Minimum Sinking Fund Account Payments) and all annual and current Expenses, to cure any delinquencies in the payment of principal or interest on the Bonds which have occurred or (based on existing delinquencies in payment of the CFD No. 2 Special Tax) will occur during the subject Fiscal Year, to replenish the Reserve Fund to the Respective Reserve Requirement (including charges against the Reserve Fund which may be necessary in the future because of existing delinquencies in the payment of CFD No. 2 Special Tax), and to accumulate proceeds directly for authorized projects. The amount of the CFD No. 2 Special Tax to be levied each year to satisfy these purposes herein is referred to as the "CFD No. 2 Special Tax Requirement."

The CFD No. 2 Special Tax levy each year is calculated by first determining the "Annual Costs" for the year. Annual Costs are defined in the CFD No. 2 Special Tax Formula to be the total of (1) Bond Debt Service, (2) Administrative Expenses for CFD No. 2, (3) amounts needed to replenish the bond Reserve Fund and to pay for the past or anticipated CFD No. 2 Special Tax delinquencies, and (4) amounts for pay-as-you-go expenditures for authorized improvements in CFD No. 2; less amounts available from prepayments of CFD No. 2 Special Taxes, development fees and reimbursements.

The CFD No. 2 Special Tax Formula identifies 16 parcels within CFD No. 2 (each parcel of which is referred to as an "Original Parcel") consisting of approximately 462 net acres of Taxable Land. Pursuant to the CFD No. 2 Special Tax Formula each of the Original Parcels is assigned a Maximum Annual Special Tax based on its size and designated land use at the time CFD No. 2 was formed. Each of the 16 Original Parcels is herein referred to as an Original Taxable Parcel.

It is expected that the Original Parcels will be subdivided as development occurs. The Maximum Annual Special Tax for such subdivided Original Parcels will then be allocated to the "Successor Parcels." If the Successor Parcels are the result of a single-family residential or individually-owned condominium parcel subdivision, the Maximum Annual Special Tax assigned to the Original Parcel will be divided by the number of single-family residential lots or condominium units. The result is the Maximum Annual Special Tax for each single-family residential or condominium Successor Parcel within the subdivision. If a Successor Parcel is not the result of a single-family residential or individually-owned condominium subdivision, the Maximum Annual Special Tax of the Original Parcel is allocated pro rata among Successor parcels on a square footage basis.

As development and subdivision of the parcels within CFD No. 2 take place, the City will maintain a file for each parcel. This record will be available for public inspection, and will show the Maximum Annual Special Tax on all predecessor parcels, a brief description of the process of subdividing parcels and reapportioning the Maximum Annual Special Tax each time a predecessor parcel was split or subdivided, including any adjustments due to change in use.

The CFD No. 2 Special Tax Formula contains other provisions relating to the prepayment of the CFD No. 2 Special Tax, annexations, transfers and conversions to tax-exempt parcels. The above summary is only a summary of certain significant provisions of the CFD No. 2 Special Tax Formula and reference is made to APPENDIX B hereto for the full text of the CFD No. 2 Special Tax Formula.

Pursuant to Section 53340 of the Act, properties or entities of the State, federal or other local governments are exempt from the CFD No. 2 Special Tax except that, under Section 53317.3 of the Act, property not otherwise exempt which is acquired by a public entity through a negotiated transaction, or by gift or demise, remains subject to the CFD No. 2 Special Tax. It is not clear under the Act whether property acquired by a public entity following a tax sale or foreclosure based upon failure of a non-exempt person or entity to pay property taxes would remain subject to the CFD No. 2 Special Tax under Section 53317.3 of the Act or would become exempt from the CFD No. 2 Special Tax under Section 53340 of the Act. Pursuant to Section 53317.5 of the Act, if property subject to the CFD No. 2 Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the CFD No. 2 Special Tax with respect to that property is to be treated as if it were a special annual assessment. For this purpose, the present value of the obligation to pay the CFD No. 2 Special Tax to pay principal and interest on any Bonds outstanding prior to the date of apportionment is to be treated the same as a fixed lien special annual assessment. The Act further provides that no other properties or entities are exempt from the CFD No. 2 Special Tax unless the properties or entities are expressly exempted in a resolution of consideration to levy a new tax under the Act or to alter the rate or method of apportionment of an existing tax under the Act.

The Act prohibits the City Council from adopting a resolution to reduce the rate of the CFD No. 2 Special Tax or to terminate the levy of the CFD No. 2 Special Tax unless the City Council determines that the reduction or termination of the CFD No. 2 Special Tax would not interfere with the timely retirement of the Bonds.

Property owners may permanently satisfy the CFD No. 2 Special Tax obligation of a parcel by a cash settlement with the City as permitted under Government Code Section 53344. The procedure for permanently satisfying the CFD No. 2 Special Tax obligation is set forth in the CFD No. 2 Special Tax Formula set forth as APPENDIX B hereto.

Although the CFD No. 2 Special Tax will constitute a lien on property subject to taxation within CFD No. 2, it will not constitute a personal indebtedness of the owners of such property. There is no assurance that the owners will be financially able to pay the annual CFD No. 2 Special Tax or that they will pay such tax even if financially able to do so. The risk of nonpayment by property owners is more fully described herein under "SPECIAL RISK FACTORS – Collection of Special Tax."

Subject to the agreement of the City to pursue foreclosure proceedings on an accelerated basis (see "SECURITY FOR THE BONDS – Covenant for Superior Court Foreclosure" herein), the CFD No. 2 Special Tax will be collected in the manner and at the same time as *ad valorem* property taxes are collected and shall be subject to the same penalties and the same procedure, sale and lien priority in case of delinquency as is provided for *ad valorem* property taxes. (See "PROPERTY WITHIN CFD NO. 1 AND CFD NO. 2 – Ad Valorem Property Taxation" herein.)

The full text of the CFD No. 2 Special Tax Formula is set forth in Appendix B hereto.

Definitions. As used in this section "Special Tax Formulas of Apportionment," the following terms shall have the following meanings:

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

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

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

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

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

The Special Tax is excepted from the tax rate limitation of California Constitution Article XIII A pursuant to Section 4 thereof as a “special tax” authorized by a two-thirds vote of the qualified electors as set forth in the Act. Consequently, the City has the power, and is obligated, to levy and cause the collection of the Special Tax in an amount determined according to the rate and method of apportionment of the Special Tax which the City Council and the eligible landowner electors within the District have approved. The Special Tax formula apportions the total debt service requirement (principal, interest, Minimum Sinking Fund Account Payments and redemption premiums, if any), restoration of the Reserve Fund (if required), current Expenses and other costs each year in the District among the Taxable Land in the District. For a description of the rates and method of apportionment of the Special Tax, see APPENDIX B - “CFD NO. 2 SPECIAL TAX FORMULA” herein.

Special Tax Fund for the Local Obligations

When received, the Special Taxes of each District are required to be deposited into the applicable Special Tax Fund for each District, to the credit of which the City shall deposit, immediately upon receipt, all Special Tax Revenue attributable to such District received by the City. Moneys in each Special Tax Fund shall be held in trust by the City for the benefit of the City and the Owners of the respective Local Obligations, shall be disbursed as provided below and, pending any disbursement, shall be subject to a lien in favor of the Owners of the respective Local Obligations.

No later than the Business Day prior to each Interest Payment Date, the City shall withdraw from the respective Special Tax Fund and transfer (i) to the Fiscal Agent for deposit in the related Reserve Fund an amount such that the amount then on deposit therein is equal to the related Reserve Requirement, and (ii) to the Fiscal Agent for deposit in the related Bond Fund an amount, taking into account any amounts then on deposit in such Bond Fund such that the amount in such Bond Fund equals the principal, premium, if any, and interest due on the respective Local Obligations on the next Interest Payment Date. From time to time, the City shall withdraw from the related Special Tax Fund amounts needed to pay the respective District’s Administrative Expenses; provided that such transfers shall not be in excess of the portion of the Special Tax Revenues collected by the City that represent levies for Administrative Expenses related to such Local Obligations.

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

Reserve Funds for the Local Obligations

Each Fiscal Agent Agreement provides that a Reserve Fund must be maintained in an amount equal to the Reserve Requirement for such Local Obligations. The Reserve Requirement under each of the Fiscal Agent Agreements means, as of any date, an amount equal to \$1,477,283.72 for the CFD No. 1 Local Obligations and \$1,065,696.38 for the CFD No. 2 Local Obligations. Amounts on deposit in the Reserve Fund established for each District are available to make up a deficiency resulting from a default on such District's Local Obligations and are not available to make up deficiencies resulting from a default by the other District on its Local Obligations.

Except as otherwise provided, all amounts deposited in each 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 or, in accordance with the provisions of this Section, for the purpose of redeeming Bonds from the Bond Fund. Whenever transfer is made from each Reserve Fund to the respective Bond Fund due to a deficiency in the Bond Fund, the Fiscal Agent shall provide written notice thereof to the Treasurer.

Whenever, on the Business Day prior to any Interest Payment Date, the amount in a Reserve Fund exceeds the then applicable Reserve Requirement, the Fiscal Agent shall provide written notice to the Treasurer of the amount of the excess and, following any transfer required under the Fiscal Agent Agreement and the Tax Certificate, shall transfer an amount equal to the excess from a Reserve Fund to the Bond Fund to be used for the payment of the principal of and interest on the Bonds.

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

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

Covenant to Collect Special Taxes

The City shall comply with all requirements of the Act so as to assure the timely collection of Special Tax Revenues, including without limitation, the enforcement of delinquent Special Taxes.

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

City shall effect the levy of the Special Taxes each Fiscal Year in accordance with the Ordinance such that the computation of the levy is complete before the final date on which the County 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 Treasurer shall prepare or cause to be prepared, and shall transmit to the Director of Finance, such data as the County requires to include the levy of the Special Taxes on the next secured real property tax roll.

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

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

Covenant for Superior Court Foreclosure

The City hereby covenants with and for the benefit of the Owners of the Bonds that it will annually on or before September 1 of each year review the public records of the County of Placer relating to the collection of the Special Tax in order to determine the amount of the Special Tax collected in the prior Fiscal Year, and if the City determines on the basis of such review that the amount so collected is deficient by more than five percent (5%) of the total amount of the Special Tax levied in such Fiscal Year, it will within thirty (30) days thereafter institute foreclosure proceedings as authorized by the Act in order to enforce the lien of the delinquent installment of the Special Tax against each separate lot or parcel of land in the District for which such installment of the Special Tax is delinquent, and will diligently prosecute and pursue such foreclosure proceedings to judgment and sale; provided, that if the City determines on the basis of such review that the amount so collected is deficient by less than five percent (5%) of the total amount of the Special Tax levied in such Fiscal Year, but that property owned by any single property owner in the District is delinquent by more than twenty-five

thousand dollars (\$25,000) with respect to the Special Tax due and payable by such property owner in such Fiscal Year, then the City will institute, prosecute and pursue such foreclosure proceedings in the time and manner provided herein against such property owner. The Treasurer shall notify the City Attorney of any such delinquency of which it is aware, and the City Attorney shall commence, or cause to be commenced, such proceedings.

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

If either Reserve Fund is depleted, there could be a default or a delay in payments to the Owners of the Bonds pending prosecution of foreclosure proceedings and receipt by the District of foreclosure sale proceeds, if any. However, within the limits of the Special Tax Formula, the District may adjust the Special Taxes levied on all property within the District to provide an amount required to pay debt service, including defaulted interest and principal payments, on the respective Local Obligations and to replenish the respective Reserve Fund.

No assurances can be given that a judicial foreclosure action, once commenced, will be completed or that it will be completed in a timely manner. If a judgment of foreclosure and order of sale is obtained, the judgment creditor (the respective District) must cause a Notice of Levy to be issued. Under current law, a judgment debtor (property owner) has 120 days from the date of service of the Notice of Levy in which to redeem the property to be sold, which period under recent legislation may be shortened to 20 days for parcels other than those on which a dwelling unit for not more than four persons is located. If a judgment debtor fails to redeem and the property is sold, his only remedy is an action to set aside the sale, which must be brought within 90 days of the date of sale. If, as a result of such an action, a foreclosure sale is set aside, the judgment is revived and the judgment creditor is entitled to interest on the revived judgment as if the sale had not been made (Section 701.680 of the California Code of Civil Procedure). The constitutionality of the aforementioned legislation, which repeals the former one-year redemption period, has not been tested; and there can be no assurance that, if tested, such legislation will be upheld. Any parcel subject to foreclosure sale must be sold at the minimum bid price (equal to the sum of delinquent Special Tax installments, penalties, interest, attorney's fees and costs of collection and sale) unless a lesser minimum bid price is authorized by the Owners of 75% of the principal amount of the Local Obligations Outstanding.

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

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

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

THE BOND INSURANCE POLICY

Bond Insurance Policy

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

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

Financial Security Assurance Inc.

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

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

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

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

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

PROPERTY WITHIN CFD NO. 1 AND CFD NO. 2

General Description and Location of Districts

The Districts are comprised of approximately 694 acres of land located in the easterly section of the City of Roseville. The property within CFD No. 1 consists of approximately 694 gross acres of land, of which 327 parcels totaling approximately 538 acres are considered developable and are subject to the Special Tax. CFD No. 1 is located in the easterly section of the City of Roseville and is part of the Sacramento metropolitan area. CFD No. 1 is situated on the north side of Douglas Boulevard and lies between Interstate Highway 80 on the west and Sierra-College Boulevard on the east.

The Districts border on two major traffic corridors - Interstate Highway 80 to the west and Douglas Boulevard to the south. Interstate Highway 80 extends from the San Francisco Bay area to the east coast of the United States and is a primary traffic corridor in the Sacramento metropolitan area. Ingress and egress from CFD No. 1 to Interstate Highway 80 currently is provided by the Douglas Boulevard and the Atlantic Street interchanges. Douglas Boulevard is a six-lane local thoroughfare which extends from the City of Roseville in the west to the Folsom Lake recreation area in the east.

On April 8, 1987, the City Council approved the Northeast Roseville Specific Plan (the "Northeast Roseville Specific Plan") which provides for the planned development of an area of approximately 1,628 acres in the northeast portion of the City of Roseville (the "Plan Area"). With the exception of one Parcel of approximately 18 acres (Parcel 13a), all of the property within the boundaries of CFD No. 1 is included within the Plan Area. Essentially all of the property within CFD No. 1 lies within the Plan Area of the Northeast Roseville Specific Plan. The Northeast Roseville Specific Plan divides the property within the Plan Area into various land use categories. The City of Roseville General Plan, which is applicable to Parcel 13a, puts that property into the light industrial land use category. An application is pending to change the zoning for Parcel 13a to commercial, its intended use, which is the land use category specified in the Financing Plan for Parcel 13a. In accordance with the Northeast Roseville Specific Plan, approximately 156.3 of the 694 acres of land in CFD No. 1 are designated as open space, parks, land owned or to be dedicated in fee to public entities, parcels or portions of parcels restricted by power-line easements, and rights-of-way for future public streets. These 156.3 acres are not

considered developable and are excluded from the Special Tax under the Financing Plan. The remaining approximately 538 acres of land are developable and are subject to the Special Tax.

The City of Roseville General Plan dictates that only a portion of the Plan Area currently be designated for urbanization. Miner's Ravine, a natural barrier within the Plan Area, generally serves as a separation between the portions of the Plan Area currently designated for urban and non-urban uses. The area south of Miner's Ravine, due to its proximity and relationship to existing growth patterns, infrastructure, and roadways, has been targeted for urbanization. The property north of Miner's Ravine has been set aside for future urbanization with the northernmost section retained as agriculture. The property within CFD No. 1 generally lies south of Miner's Ravine; the major exception is the property designated for Highway Commercial development which lies north and west of Miner's Ravine.

The Northeast Roseville Specific Plan envisions primarily commercial development for the portion of the Plan Area targeted for current development, as well as 1,332 residential units. This allocation is consistent with land use policies as prescribed in the City of Roseville General Plan.

The Northeast Roseville Specific Plan requires, among other things, that extensive public infrastructure facilities needed to serve the Plan Area be installed and financed by the property within the Plan Area or portions thereof. The Financing Plan described below was designed to insure that the public infrastructure facilities necessary to serve the Plan Area pursuant to the Northeast Roseville Specific Plan are satisfactorily financed by the Plan Area.

Financing Plan

Pursuant to Resolution No. 123, adopted by the City Council on December 9, 1987, the City Council approved the Northeast Roseville Financing Plan (the "Financing Plan"). The Financing Plan provides for the financing, among other things, of several miles of streets; sewer, water, and storm drain lines; electric power distribution facilities; a share of an offsite sewer interceptor; an offsite drainage improvement; several bridges; and other facilities required by the Development Agreement. The improvements described in the Financing Plan have been completed.

Property Values

The Districts have obtained the "full cash" assessed value of the property and improvements therein, as established by the Placer County Assessor (the "County Assessor") for fiscal year 1997-98. Article XIII A of the California Constitution (Proposition 13) defines "full cash value" to mean "the county assessor's valuation of real property as shown on the 1975/76 bill under 'full cash value,' or, thereafter, the appraised value of real property when purchased on newly constructed or when a change in ownership has occurred after the 1975 assessment," subject to exemptions in certain circumstances of property transfer or reconstruction. The "full cash value" is subject to annual adjustment to reflect increases, not to exceed 2% for any year, or decreases in the consumer price index or comparable local data, or to reflect reductions in property value caused by damage, destruction or other factors.

Because of the general limitation to 2% per year in increases in full cash value of properties which remain in the same ownership, the county tax roll does not reflect values uniformly proportional to actual market values. No assurance can be given that should a parcel with delinquent installments be foreclosed and sold for the amount of the delinquency, that any bid will be received for such property, or if a bid is received that such bid will be sufficient to pay such delinquent installments. See "SPECIAL RISK FACTORS – Billing of Special Taxes" herein.

Ad Valorem Property Taxation

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

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each Fiscal Year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. Property on the secured roll with respect to which taxes are delinquent becomes tax defaulted on or about June 30 of the Fiscal Year. Such property may thereafter be redeemed by payment of a penalty of 1.5% per month to the time of redemption, plus costs and a redemption fee. If taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the County Treasurer.

Development as of the 1997-98 Tax Roll

Table 2 below summarizes the debt allocable to each of four major categories of property in the District based on the classification of property as of the January 1, 1997 lien date for fiscal year 1997-98. Table 2 also sets forth the estimated value-to-lien ratio for each category of property and for the District as a whole, based upon the values for such property. See "PROPERTY WITHIN CFD NO. 1 AND CFD NO. 2 - Property Values" and Appendix A hereto. The estimated value-to-lien ratios range from a low of 2.00 to 1 for undeveloped commercial/industrial property, to a high of 27.39 to 1 for developed residential property. See "SECURITY FOR THE BONDS – The Special Taxes" above.

Table 2
Northeast Roseville Community Facilities CFD No. 1 and CFD No. 2
Categories of Development
Assessed Value-To-Lien Ratio

		<u>Parcel Count</u>	<u>Maximum Special Tax Levy</u>	<u>Combined Assessed Value</u>	<u>Lien</u>	<u>Value to Lien</u>	<u>Percent of Lien</u>
Commercial	Developed	62	\$2,325,025	\$313,336,161	\$16,228,068	19.31%	49.60%
	Undeveloped	43	1,974,137	25,767,503	12,872,544	2.00	39.35
Residential	Developed	221	401,889	66,628,004	2,432,163	27.39	7.43
	Undeveloped	<u>5</u>	184,669	4,014,096	1,182,225	<u>3.40</u>	<u>3.62</u>
Totals		331	\$4,885,720	\$409,745,764	\$32,715,000	12.52	100.00%
Total Developed		283	\$2,726,914	\$379,964,165	\$18,660,231	20.36%	57.04%
Total Undeveloped		48	\$2,158,806	\$ 29,781,599	\$14,054,769	2.12%	42.96%

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

Table 3 below sets forth the top ten taxpayers in CFD No. 1 and CFD No. 2, as measured by the amount of Special Taxes projected to be levied on property owned by such taxpayers in fiscal year 1997-98.

Table 3
Northeast Roseville Community Facilities CFD No. 1 and CFD No. 2
Top Ten Special Taxpayers
Fiscal Year 1997-98

<u>Name</u>	<u>Tax Category</u>	<u>Number of Parcels</u>	<u>Combined Total Value</u>	<u>Lien</u>	<u>Value to Lien</u>	<u>Percent of Total</u>	<u>Maximum Levy</u>
1. Kaiser Foundation Hospitals	BP	1	\$144,550,764	\$3,614,299.50	39.99	11.05%	\$524,285.34
2. OK & B Partnership Et Al	MULTIPLE USE	10	6,999,872	3,373,846.55	2.07	10.31	507,529.87
3. Sutter Community Hosp Sacto	BP	1	4,748,000	1,686,600.77	2.82	5.16	242,046.01
4. Johnson Ranch Developers	BP	2	2,770,896	1,479,611.14	1.87	4.52	208,441.93
5. OP Parcel 14	MULTIPLE USE	7	4,861,695	1,242,721.76	3.91	3.80	165,522.92
6. Spieker Properties LP	BP	2	11,456,002	1,131,121.28	10.13	3.46	164,594.68
7. Cummings, William C	BP	4	1,601,637	1,117,022.17	1.43	3.41	162,068.16
8. Inland I Delaware Business Trust	COMM	1	12,053,521	1,106,533.78	10.89	3.38	147,383.53
9. Olympus Corporate Centre Asscs	MULTIPLE USE	5	16,844,145	1,047,018.93	16.09	3.20	152,223.69
10. Roseville Golfland Ltd Ptsp	COMM	2	6,727,935	1,010,880.89	<u>6.66</u>	<u>3.09</u>	139,813.45
Totals		35	\$212,614,467	\$16,809,656.77	12.65	51.38%	\$2,413,909.58

(1) Based on the fiscal year 1997-98 tax roll.

Source: City of Roseville.

The following information is provided by the City to more fully describe the current development status of 35 parcels listed above, and any ownership changes related thereto. This information is primarily from the City's *Quarterly Development Activity Report, First Quarter of 1998*. The following information is believed to be accurate. Following is a brief description of each person or entity owning a significant portion of or interest in property with a combined

ownership resulting in placement among the top ten special taxpayers in CFD No. 1 and CFD No. 2.

(1) Kaiser Foundation Hospitals. Kaiser Foundation Hospitals is part of a large healthcare organization operating hospitals and providing healthcare throughout the United States. Kaiser owns an approximately 47.1 acre parcel containing a 107,200 square foot, 116 bed facility that is expected to open before this fall and to eventually provide 156 beds.

(2) O.K. & B. O.K. & B. is a California general partnership. The managing general partner of O.K. & B. is Marvin "Buzz" Oates. Mr. Oates is one of the Sacramento metropolitan area's largest industrial, office, and commercial developers. The 10 parcels that O.K. & B. own total approximately 61.6 acres. Plans have been approved with respect to certain of these parcels for buildings to comprise the Douglas Center Subdivision. No development plan has yet been filed for O.K. & B.'s largest parcel. O.K. & B. is in the process of selling 12 acres to Summit Commercial Properties, Inc. (a subsidiary of the El Segundo based Highridge Partners, an investment partnership).

(3) Sutter Community Hospital, Sacramento. Sutter Community Hospital owns one 21 acre parcel that is currently being processed as the Eureka Corporate Center. The plans request 14 buildings totaling 325,000 square feet of office space.

(4) Johnson Ranch Developers. Johnson Ranch Developers is a general partnership of which Five Star Investments, a California general partnership, and Angelo K. Tsakopoulos are the managing general partners. These two parcels total approximately 18.2 acres. An approximately 16.4 acre site is being processed as a Carmax Auto Dealership, a large operator of used car dealerships. This is in the vicinity of the auto mall. The other parcel does not have a development plan filed with the City.

(5) OP Parcel 14. This is seven parcels totaling approximately 12.5 acres. There are no development plans filed with the City.

(6) Speiker Properties L.P. Speiker owns two parcels totaling approximately 14.9 acres. There are 2 buildings totaling 216,000 square feet, known as the Douglas Corporate Center. In addition, Speiker has filed plans to start a 100,000 square foot office building at 2998 Douglas and a 40,000 square foot building at 3700 Douglas.

(7) William C. Cummings. William C. Cummings is a real estate investor and developer whose primary activities have been in land development in and around Sacramento County. Cummings owns four parcels totaling approximately 14.6 acres. Short Chevron, and the River Rock Café were recently completed. The 14 screen Century Theaters and the California backyard restaurant are under construction. There are no other development plans filed with the City.

(8) Inland I Delaware Business Trust. This is an approximately 11.1 acre parcel that contains the 114,000 square foot Sam's Club.

(9) Olympus Corporate Centre Associates. Olympus Corporate Centre Associates owns five parcels on approximately 13.8 acres containing several commercial office buildings.

(10) Roseville Golf and Limited Partnership. These two parcels totaling approximately 9.9 acres are a miniature golf/amusement park/water slide.

Table 4 below summarizes value-to-lien ratios for the District as a whole, based upon the values for such property as of the January 1, 1997 lien date for fiscal year 1997-98.

Table 4
Northeast Roseville Community Facilities CFD No. 1 and CFD No. 2
Value-to-Lien Analysis
Fiscal Year 1997-98

Value to Lien	Parcel Count	Total Assessed Value	Lien	Percent of Total
20 and Above	240	\$262,699,262	\$6,800,708.95	20.79%
10 – 19.99	26	69,988,531	5,204,048.70	15.91
5 – 9.99	16	45,255,301	5,618,442.54	17.17
3 – 4.99	9	11,762,177	2,990,575.97	9.14
Less than 3	<u>40</u>	20,040,493	<u>12,101,223.83</u>	<u>36.99</u>
	331	\$409,745,764	\$32,715,000.00	100.00%

Source: City of Roseville.

Delinquent Special Taxes

Table 5 below sets forth the Special Tax levies and delinquencies for the last six fiscal years, as of June 30, of each fiscal year, commencing with fiscal year 1992-93. As of June 19, 1998, total outstanding delinquencies are approximately \$50,350.

Table 5
Northeast Roseville Community Facilities CFD No. 1 and CFD No. 2
Special Tax Levy and Delinquencies
for Fiscal Years 1992-93 through 1997-98

Fiscal Year	Annual Levy	Actual Placer County Receipts	Delinquent Amount ⁽¹⁾	Delinquency Rate
1992-93	\$4,127,656	\$3,974,183	\$153,473	3.72%
1993-94	4,298,696	4,024,261	274,435	6.38
1994-95	4,070,089	3,756,194	313,895	7.71
1995-96	3,957,860	3,914,019	43,841	1.11
1996-97	3,620,253	3,539,755	80,498	2.22
1997-98 ⁽²⁾	3,893,704	3,844,833	48,871	1.26

(1) As of June 30.

(2) As of June 19, 1998.

Source: City of Roseville.

Development Since the 1997-98 Tax Roll

Table 6 below sets forth the potential revenue that could be generated through a levy of the projected Maximum Special Tax for fiscal year 1998-99 on development completed since the 1997-98 tax roll based on certificates of occupancy and upon the Maximum Special Tax Rates contained in the Special Tax Formulas, and assuming, for purposes of this analysis, a Maximum Special Tax rate of \$9,718 per acre for these parcels under the combined Special Tax Formulas.

**Table 6
Northeast Roseville Community Facilities CFD No. 1 and CFD No. 2
Development Completed Since the 1997-98 Tax Roll
Based on Certificates of Occupancy**

<u>Project</u>	<u>Owner</u>	<u>Building Permit Value</u>	<u>Quarter Completed</u>	<u>Acres</u>	<u>Building Square Footage</u>	<u>Maximum Special Tax Levy</u>
1. America's Tire Co.	Sierra View	\$ 384,964	1st	0.78	7,267	\$ 7,580.55
2. PCN Medical Building	Allstar Inv.	1,477,750	1st	3.79	25,500	36,833.72
3. United Artist Theatre	OP Theatre Centre	3,106,664	1st	15.77	56,521	153,263.27
4. Black Angus Restaurant	Ang Enterprises	500,705	2nd	0.37	6,650	3,595.90
5. Golfland/Sunsplash Arcade	Roseville Golfland	2,500,017	2nd	0.50	29,620	4,859.33
6. Saturn Auto	Robert & Davis Frink	655,002	2nd	0.25	5,274	2,429.67
7. Eureka Centre I	New Com	913,681	3rd	1.60	17,645	15,549.86
8. Olympus Corporate Center Phase IV	Olympus C.C.	2,713,589	3rd	3.50	42,625	34,015.31
9. Centerpointe Bldg C	OP Parcel 14	2,486,470	4th	2.28	68,905	22,158.54
10. Centerpointe Bldg O	OP Parcel 14	398,879	4th	0.80	9,540	7,774.93
11. LA-Z-Boy Furniture	LA-Z-Boy	678,484	4th	1.35	15,390	13,120.19
12. Short Chevron	William Cummings	n/a	1st ('98)	1.10	<u>2,790</u>	10,690.53
Totals		\$15,816,205		32.09	287,727	\$311,871.80

As a result of construction completed through April 1, 1998, the Authority projects a maximum special tax levy on developed property of \$3,038,786 or 89.72% of the debt service on the Bonds.

Table 7 below sets forth the potential revenue that could be generated through a levy of the projected Maximum Special Tax for fiscal year 1998-99 on development currently under construction based on building permits filed as of April 1, 1998 and upon the Maximum Special Tax Rates contained in the Special Tax Formulas, and assuming, for purposes of this analysis, a Maximum Special Tax rate of \$9,718 per acre for these parcels under the combined Special Tax Formulas.

Table 7
Northeast Roseville Community Facilities CFD No. 1 and CFD No. 2
Development Currently Under Construction
Based on Building Permits Filed as of April 1, 1998

<u>Project</u>	<u>Owner</u>	<u>Building Permit Value</u>	<u>Quarter Commenced</u>	<u>Acres</u>	<u>Building Square Footage</u>	<u>Maximum Special Tax Levy</u>
1. Century Theatres	SYUFY Enterprises	\$ 4,992,343	3rd	4.30	79,200	\$41,790.24
2. Eureka Center II	OK&B Partnership	361,622	3rd	1.70	19,936	16,521.72
3. Century Theatres Complex Pad A	Madison/Lead Hill LP	432,054	3rd	1.25	12,600	12,148.33
4. Marriott's Hotel (262 rooms)	Bugatti/Alleghany	3,268,185	4th	7.33	144,692	71,237.78
5. California Backyard	William Cummings	2,267,390	1st ('98)	2.60	44,696	25,268.52
6. Eureka Lot 8 2260/2266 Lava Ridge	OK&B Partnership	942,584	1st ('98)	1.50	19,169	15,577.99
7. Eureka Center II – 1693 Eureka Road	OK&B Partnership	306,391	1st ('98)	0.71	6,230	6,900.25
8. Hubacher Volkswagen Dealership	K&C Investments	800,856	1st ('98)	1.16	13,202	11,273.65
9. Marriott's Hotel – Fairfield Inn (82 rooms)	Bugatti/Alleghany	2,531,547	1st ('98)	2.00	37,198	19,437.32
10. Marriott's Hotel – Residence Inn (90 rooms)	Bugatti/Alleghany	4,372,530	1st ('98)	<u>3.33</u>	<u>64,249</u>	32,363.14
Total		\$20,275,502		25.88	441,172	\$251,518.92

As a result of development currently under construction based on building permits filed as of April 1, 1998, the Authority projects a maximum special tax levy on developed property of \$3,290,305 or 97.17% of the debt service on the Bonds.

Table 8 below sets forth the debt service coverage for the Bonds from revenues that would be generated if Special Taxes were levied at the Maximum Special Tax Rates.

Table 8
Northeast Roseville Community Facilities CFD No. 1 and CFD No. 2
Estimated Debt Service Coverage

Bond Year Ending September 1	Estimated CFD No. 1 Maximum Special Tax Revenues ⁽¹⁾	Estimated CFD No. 1 Maximum Special Tax Revenues ⁽¹⁾	Combined Maximum Special Tax Revenues ⁽¹⁾	Bond Debt Service	Estimated Debt Service Coverage
1999	\$3,382,142.97	\$1,503,576.47	\$4,885,719.44	\$3,386,006.70	1.44
2000	3,382,142.97	1,503,576.47	4,885,719.44	3,385,161.26	1.44
2001	3,382,142.97	1,503,576.47	4,885,719.44	3,389,561.26	1.44
2002	3,382,142.97	1,503,576.47	4,885,719.44	3,385,561.26	1.44
2003	3,382,142.97	1,503,576.47	4,885,719.44	3,388,361.26	1.44
2004	3,382,142.97	1,503,576.47	4,885,719.44	3,389,723.76	1.44
2005	3,382,142.97	1,503,576.47	4,885,719.44	3,392,167.50	1.44
2006	3,382,142.97	1,503,576.47	4,885,719.44	3,392,405.00	1.44
2007	3,382,142.97	1,503,576.47	4,885,719.44	3,391,895.00	1.44
2008	3,382,142.97	1,503,576.47	4,885,719.44	3,388,975.00	1.44
2009	--	1,503,576.47	1,503,576.47	1,008,200.00	1.49
2010	--	1,503,576.47	1,503,576.47	1,003,900.00	1.49
2011	--	1,503,576.47	1,503,576.47	1,008,000.00	1.49
2012	--	1,503,576.47	1,503,576.47	1,008,500.00	1.49
2013	--	1,503,576.47	1,503,576.47	1,007,500.00	1.49
2014	--	1,503,576.47	1,503,576.47	1,005,000.00	1.49
2015	--	1,503,576.47	1,503,576.47	1,006,000.00	1.49
2016	--	1,503,576.47	1,503,576.47	1,005,250.00	1.49
2017	--	1,503,576.47	1,503,576.47	1,007,750.00	1.49
2018	--	1,503,576.47	1,503,576.47	1,003,250.00	1.49
2019	--	1,503,576.47	1,503,576.47	1,007,000.00	1.49
2020	--	1,503,576.47	1,503,576.47	1,003,500.00	1.49
2021	--	1,503,576.47	1,503,576.47	1,008,000.00	1.49
Totals	\$33,821,429.70	\$34,582,258.81	\$68,403,688.51	\$46,971,668.00	

(1) See Appendix A and Appendix B.

Source: City of Roseville

DIRECT AND OVERLAPPING BONDED DEBT

Contained within the boundaries of CFD No. 1 and CFD No. 2 are numerous overlapping local agencies providing public services. The direct and overlapping bonded debt of property within CFD No. 1 and CFD No. 2 as of May 1, 1998 is shown in Table 9.

Table 9
Northeast Roseville Community Facilities
CFD No. 1 and CFD No. 2
Statement of Direct and Overlapping Bonded Debt
As of May 1, 1998

CITY OF ROSEVILLE NORTHEAST COMMUNITY FACILITIES DISTRICT NOS. 1 AND 2

1997-98 Assessed Valuation: \$429,126,527

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable ⁽¹⁾	Debt 5/1/98
Roseville Joint Union High School District	5.524%	\$ 1,712,950
Eureka Union School District	14.148	2,155,235
Roseville City School District	3.585	662,395
Roseville Northeast Community Facilities District No. 1	100.	20,145,000 ⁽²⁾
Roseville Northeast Community Facilities District No. 2	100.	13,090,000 ⁽²⁾
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$ 37,765,580
OVERLAPPING GENERAL FUND OBLIGATION DEBT:		
Placer County General Fund Obligations	2.358%	\$ 471,128
Sierra Joint Community College District Certificates of Participation	1.598	41,528
Roseville Joint Union High School District Certificates of Participation	5.566	179,225
Eureka Union School District Certificates of Participation	14.099	1,254,106
Roseville City School District Certificates of Participation	3.275	137,878
City of Roseville Certificates of Participation	7.749	2,390,567
TOTAL OVERLAPPING GENERAL FUND OBLIGATION DEBT		\$ 4,474,432
COMBINED TOTAL DEBT		\$ 42,240,012 ⁽³⁾

⁽¹⁾ Based on redevelopment adjusted all property valuation of \$414,416,901.

⁽²⁾ Exclude issue to be sold.

⁽³⁾ Excludes tax and revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 1997-98 Assessed Valuation:

Direct Debt (\$33,235,000)	7.74%
Total Direct and Overlapping Tax and Assessment Debt	8.80%
Combined Total Debt	9.84%

STATE SCHOOL BUILDING AND REPAYABLE AS OF 6/3/97: \$0

Source: California Municipal Statistics, Inc.

In addition to the Bonded debt set forth above, new community facilities districts or special assessment districts may be formed and, upon approval of registered voters or landowners within such districts, may issue more bonds and levy additional special or other taxes or assessments. In addition to the Special Tax and special assessments, the property owners within CFD No. 1 and CFD No. 2 will be required to pay the general *ad valorem* property tax.

The ability of a District to make annual debt service payments on its Local Obligations is strengthened by the ability to levy Special Taxes up to their maximum rates in the event of delinquencies. An increase in the Special Tax rates may, however, affect the willingness or ability of property owners in the Districts to pay their special taxes. See "SECURITY FOR THE BONDS - Special Tax Formulas of Apportionment" and Appendix A hereto for a description of each District's procedures for increasing the amount of Special Tax, and "SPECIAL RISK FACTORS - Insufficiency of Special Taxes."

THE AUTHORITY

The Authority is a California joint powers authority, organized pursuant to an Amended and Restated Joint Exercise of Powers Agreement, dated April 7, 1998 (the "Authority Formation Agreement"), between the City and the Redevelopment Agency of the City of Roseville. The Authority Formation Agreement was entered into pursuant to the Government Code of the State of California, commencing with Section 6500 (the "Joint Powers Act"). The Authority is a separate entity constituting a public instrumentality of the State of California and was formed for the public purpose of assisting in financing and refinancing projects pursuant to the Bond Law.

The Authority is governed by a board of five directors, comprised of the City Council. The Executive Director of the Authority is the City Manager. The Authority is specifically granted all of the powers specified in the Joint Powers Act, including but not limited to the power to issue bonds and to sell such bonds to public or private purchasers at public or by negotiated sale. The Authority is entitled to exercise powers common to its members and necessary to accomplish the purpose for which it was formed.

SPECIAL RISK FACTORS

Insufficiency of Special Taxes

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

Bankruptcy

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

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

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

Disclosures to Future Purchasers

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

Billing of Special Taxes

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

Under provisions of the Act, the Special Taxes are billed to the properties within the Districts which were entered on the Assessment Roll of the County Assessor by January 1 of the previous fiscal year on the regular property tax bills sent to owners of such properties. Such Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as do regular property tax installments. These Special Tax installment payments cannot

be made separately from property tax payments. Therefore, the unwillingness or inability of a property owner to pay regular property tax bills as evidenced by property tax delinquencies may also indicate an unwillingness or inability to make regular property tax payments and installment payments of Special Taxes in the future. See "SECURITY FOR THE BONDS - Covenant for Superior Court Foreclosure," for a discussion of the provisions which apply, and procedures which the City is obligated to follow, in the event of delinquency in the payment of installments of Special Taxes.

Earthquakes

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

Payments by FDIC

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

The Policy Statement states that the FDIC generally will not pay non *ad valorem* taxes, including special assessments, on property in which it has a fee interest unless the amount of tax is fixed at the time that the FDIC acquires its fee interest in the property, nor will it recognize the validity of any lien to the extent it purports to secure the payment of any such amounts. Special taxes imposed under the Mello-Roos Act and a special tax formula which determines the special

tax due each year, are specifically identified in the Policy Statement as being imposed each year and therefore covered by the FDIC's federal immunity. With respect to property in California owned by the FDIC on January 9, 1997 and that was owned by the RTC on December 31, 1995, or that became the property of the FDIC through foreclosure of a security interest held by the RTC on that date, the FDIC will continue the RTC's prior practice of paying special taxes imposed pursuant to the Mello-Roos Act if the taxes were imposed prior to the RTC's acquisition of an interest in the property. All other special taxes may be challenged by the FDIC.

The FDIC has filed claims against Orange County, California in the United States Bankruptcy Court and in Federal District Court contending, among other things, that special taxes are not *ad valorem* taxes, and therefore not payable by the FDIC, and any special taxes previously paid by the FDIC must be refunded. The FDIC is also seeking a ruling that special taxes may not be imposed on properties while they are in FDIC receivership. On March 2, 1998, the Bankruptcy Court issued a tentative ruling supporting the FDIC's positions. The Federal District Court has not yet issued a ruling on the matter. If the Bankruptcy Court and the Federal District Court issue final rulings supporting the FDIC's positions, it is likely that Orange County will appeal the decisions. If Orange County does not appeal any such final decision, or if Orange County's appeal is unsuccessful, Orange County, and accordingly, the City may be required to refund any Special Taxes collected from property in FDIC receivership prior to the rulings, and would not be able to collect Special Taxes with respect to property that is, or in the future becomes, subject to FDIC receivership. The City does not believe that any property therein has been in FDIC receivership prior to January 1, 1997, and, based upon the secured tax roll as of January 1, 1997, the FDIC does not presently own any of the property in the Districts.

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

Hazardous Substances

The market value of the property in the Districts are subject to diminution upon the future release or discovery thereon of a hazardous substance. In general, the owners and operators of a parcel may be required by law to remedy conditions relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or "Superfund Act," is the most well known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of property whether or not the owner (or operator) had anything to do with creating or handling the hazardous substance. The effect therefore, should any of the parcels be affected by a hazardous substance, would be to reduce the marketability and value by the costs of remedying the condition, because the purchaser, upon becoming owner, will become obligated to remedy the condition just as is the seller.

The value of the property within the Districts does not reflect the presence of any hazardous substance or the possible liability of the owner (or operator) for the remedy of a hazardous substance condition of the property. The City has not independently verified, and is not aware, that any owner (or operator) of any of the parcels within the Districts has such a current liability with respect to any such parcel. However, it is possible that such liabilities do currently exist and that the City is not aware of them.

Further, it is possible that liabilities may arise in the future with respect to any of the land within the Districts resulting from the existence, currently, of a substance presently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the existence, currently, on the parcel of a substance not presently classified as hazardous but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly adversely affect the value of a parcel and the willingness or ability of the owner of any parcel to pay the Special Tax installments.

Cumulative Burden of Parity Taxes and Special Assessments

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

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

Limitations on Remedies

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

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

Right to Vote on Taxes Act

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

Among other things, Section 3 of Article XIII states that “... the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge.” Proposition 218 provides for a procedure, which includes notice, hearing, protest and voting requirements to alter the rate and method of apportionment of an existing special tax. However, Proposition 218 prohibits a legislative body from adopting any resolution to reduce the rate of any special tax or terminate the levy of any special tax pledged to repay any debt incurred pursuant to Proposition 218 unless such legislative body determines that the reduction or termination of the special tax would not interfere with the timely retirement of that debt.

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

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

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

Loss of Tax Exemption

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

CONCLUDING INFORMATION

Legal Opinions

The legal opinions of Nossaman, Guthner, Knox & Elliott, LLP, San Francisco, California, Bond Counsel, approving the validity of the Bonds and the Local Obligations, in substantially the forms set forth as Appendix C hereto, will be made available to purchasers at the time of original delivery. A copy of the legal opinion approving the validity of the Bonds will be provided with each definitive bond. Certain legal matters will be passed upon for the Underwriter by Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, and for the Authority, the Districts and the City by the office of the City Attorney.

Tax Exemption

In the opinion of Nossaman, Guthner, Knox & Elliott, LLP, San Francisco, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest and original issue discount on the Bonds is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest and original issue discount on the Bonds is exempt from State of California personal income tax. Bond Counsel notes that, with respect to corporations, interest and original issue discount on the Bonds will be included as an adjustment in the calculation of the alternative minimum taxable income, which may affect the alternative tax liability of such corporations.

Bond Counsel is further of the opinion that the difference between the principal amount of the Bonds maturing on September 1, 2021 (the "Discount Bonds") and the initial offering price to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Discount Bonds was sold constitutes original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on the Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond and the basis of such Discount Bond acquired at such initial offering price by an initial purchaser of each Discount Bond will be increased by the amount of such accrued discount.

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

Bond Counsel's opinion as to the exclusion from gross income for federal income tax purposes of interest and original issue discount on the Bonds is based upon certain representations of fact and certifications made by the City, the Authority, the Underwriters and others and is subject to the condition that the Authority and the City complies with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds to assure

that interest and original issue discount on the Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest and original issue discount on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The Authority and the City have covenanted to comply with all such requirements.

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

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

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

Continuing Disclosure

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

The City's obligations under the Continuing Disclosure Agreement shall terminate upon a legal defeasance, prior redemption or payment in full of all of the Bonds. The provisions of the Disclosure Agreement are intended to be for the benefit of the owners of the Bonds and beneficial owners of the Bonds and in order to assist the participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5) and shall be enforceable by the owners of Bonds, provided that

any enforcement action by any such person shall be limited to a right to obtain specific enforcement of the City's obligations under the Disclosure Agreement and any failure by the City to comply with the provisions thereof shall not be an event of default under the Indenture or the Fiscal Agent Agreement.

Litigation

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

Verification of Mathematical Computations

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

Underwriting

The Bonds are being purchased through negotiation by PaineWebber Incorporated (the "Underwriter") pursuant to a Purchase Contract between the Underwriters and the Authority (the "Purchase Contract"). The Underwriter has agreed to purchase all of the Bonds for an aggregate purchase price of \$32,101,647.30, subject to certain conditions set forth in the Purchase Contract. The purchase price reflects an Underwriter's discount of \$249,561.55. Simultaneously with the purchase of the Bonds, the Authority has agreed to purchase the Local Obligations from the Districts. The Underwriter's obligation to purchase the Bonds is contingent upon the Authority's purchase of the Local Obligations and is subject to certain terms and conditions set forth in the purchase contract for the Bonds, the approval of certain legal matters by counsel and certain other conditions. The Underwriter is obligated to purchase all of the Bonds if any are purchased.

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. The offering prices of the Bonds may be changed from time to time by the Underwriter.

Ratings

Moody's Investors Service and Standard & Poor's Ratings Services have assigned ratings of "Aaa" and "AAA," respectively, to the Bonds, with the understanding that, upon delivery of the Bonds, the Bond Insurance Policy will be issued by Financial Security. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same at the following addresses: Moody's Investors Service, Inc., 99 Church Street, New York, New York 10007 and Standard & Poor's Ratings Services, 25 Broadway, New York, New York 10004. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

Miscellaneous

All of the preceding summaries of the Indenture, the Fiscal Agent Agreements, applicable legislation, agreements and other documents are made subject to the provisions of such documents and legislation and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the City for further information in connection therewith.

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

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

The Board of Directors of the Roseville Finance authority, has duly authorized the Chairperson of the Board to execute and deliver this Official Statement on behalf of the Authority.

ROSEVILLE FINANCE AUTHORITY

By: /s/ Claudia Gamar
Chairperson

APPENDIX A

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

I. THE MELLO-ROOS COMMUNITY FACILITIES DISTRICT ("MRD")

The MRD will impose a special tax which will produce sufficient receipts to retire bonded indebtedness, the proceeds of which will be used to finance construction or acquisition of certain improvements detailed in the Financing Plan. The authorized amount of bonded indebtedness is \$29,000,00.

The following costs will be financed through the bond issue:

1. Construction or acquisition costs for certain facilities listed in the Financing Plan.
2. Costs related to the construction of such improvements, which related costs are as follows: engineering and design costs estimated at 8% project management fees to be paid Johnson Ranch Investors or its assignee at 4% City inspection fees estimated at 1.5% and contingencies at 5%. These various related costs are equal to 18.5% of construction costs.
3. MRD formation costs incurred by the City and the proponents. Based on our experience, we estimate that such costs will be \$114,000.
4. The first two years of City administrative costs and fiscal agent fees.
5. The cost of bond issuance including, but not limited to bond counsel, landowner election costs, appraisal costs, printing cost, etc.
6. Underwriter's discount.
7. Bond reserve fund equal to 10% of the bond issue.
8. No more than two years capitalized interest.

In addition to the costs included within the bond issue, the City will receive an annual amount for MRD administration and for its fiscal agent. Those costs will be funded annually by the special tax.

The responsibility for annual debt service and annual costs of the MRD. The parcels that make up the MRD are based on final parcel and subdivision maps. The taxable acres included in each parcel are listed in Table B-1.

Parcel numbers in Table B-1 reflect those shown in the Northwest Roseville Specific Plan. Taxable land does not include areas designated as open space, parks, land owned or to be dedicated in fee to public entities, parcels or portions of parcels the developability of which is severely restricted by power line easements (9.826 acres of parcel 5 and 2.107 acres of

parcel 16), and right-of way for future public street right-of-way, calculated at 5% of the remaining taxable acres.

Parcel 15 has been included in the calculations for the MRD at this point in order to define its pro rata share of costs. Johnson Ranch Investors will make payment for the Parcel 15 share of MRD costs. This cash or other security acceptable to the City will be posted with the City. Therefore, a special tax will not be levied against parcel 15. If parcels 16 or 5 are ultimately able to utilize the power line easements for the construction of habitable structures, each parcel will be obligated to make an additional contribution toward the retirement of District debt as ultimately determined by the City.

TABLE B-1

Parcel No.	Land Use Basis	Taxable Acres
1	Residential Single Family	56.71310
2	Residential Multiple Family	31.42410
3	Residential Multiple Family	38.03515
4	Residential Multiple Family	12.78130
5	Business/Professional	18.08040
6	Business/Professional	51.71040
7	Business/Professional	14.93875
7a	Business/Professional	24.11385
8	Business/Professional	47.12760
9	Business/Professional	21.03205
10	Business/Professional	18.87365
11	General Commercial	22.01720
12	Regional Commercial	83.91255
13	Regional Commercial	17.99300
13a	General Commercial	46.91765
14	Research & Development	124.73880
15	Highway Commercial	0.00000
16	Highway Commercial	15.76525
17	Highway Commercial	1.07635
18	Highway Commercial	6.30515
19	Highway Commercial	8.83500
Total Taxable Acres		662.39130

Calculation of Maximum Annual Tax Rates

Before Bonds can be issued by the MRD, the property owners must approve the indebtedness and the maximum annual special tax by a two-thirds vote. The maximum annual tax rates for which landowner approval will be required are shown in Table B-8.

The maximum annual tax rates were calculated as follows:

9. Detailed engineering studies led to the construction costs of MRD facilities. These costs were then broken into the monthly draws shown on Table B-2 needed for construction or acquisition of MRD facilities.

TABLE B-2
MRD DRAWDOWN SCHEDULE

Bond Closing	\$ 4,677,429.67
April, 1988	\$ 1,448,647.89
May, 1988	\$ 1,455,699.26
June, 1988	\$ 1,462,784.95
July, 1988	\$ 1,831,658.69
August, 1988	\$ 1,840,574.39
September, 1988	\$ 2,763,753.09
October, 1988	\$ 918,669.64
November, 1988	\$ 1,496,432.43
December, 1988	\$ <u>533,503.47</u>
	\$18,429,153.49

10. A bond issue of \$29,000,000 was structured by Dean Witter Reynolds Inc. Dean Witter determined the annual debt service needed to retire the bonded indebtedness. Dean Witter then calculated the maximum annual special tax proceeds which would be necessary to meet such annual debt service, pay ongoing annual City costs of MRD administration and fiscal agent fees, and provide funds equal to 10% of the sum of the maximum annual debt service and annual expenses to replenish the bond reserve in the case that its balance had been drawn down in the previous year.

11. The taxable acres within the MRD were broken into the land use categories shown in Table -3.

TABLE B-3

Non-Residential Land Use Categories:

Business/Professional	195.87670 acres
Research and Development Park	124.73880 acres
Commercial	162.81195

Residential Land Use Categories

Single Family	56.71310 acres
Multiple Family	82.24055 acres

Partially Participating Parcels:

Parcel 12	22.0172 acres
Parcel 13a	17.9930 acres

Totals	662.3913 acres
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12. Costs for each facility type were spread to land use categories as follows:

a) Frontage Facilities – the costs of curb and gutter, and intersection street lighting were allocated to each land use category on the basis of component parcels length of street frontage.

b) Roadway Facilities – the costs of all Plan Area roadway construction (with the exception of frontage facilities), landscaped medians, traffic signals, and related soft costs for construction of City center lanes were allocated to each land use category on the basis of dwelling unit equivalents of traffic generation. Traffic generation rates by land use category are shown on Table B-4.

c) Eureka Road Bridge – two thirds of the cost of a six lane bridge on Eureka Road over Miner’s Ravine.

d) Water Supply Facilities – the costs of all project related on and offsite water supply improvements were equally allocated to land use categories on an acreage basis. (see “e” below).

e) Regional Water Facilities – the costs of over sizing water supply facilities to provide for regional capacity were equally allocated to land use categories on an acreage basis. These costs will be refunded to the MRD by funds from collection of a future City fee.

f) Sanitary Sewer Facilities – the costs of all on and offsite sanitary sewer improvements were equally allocated to land use categories on an acreage basis.

g) Storm Drainage Facilities – The cost of all on and offsite storm drainage facilities were allocated on the basis of a run-off factor based on intensity of development. Run-off factors are shown on Table B-5.

h) Electric Power Distribution Facilities and Sub-Station Land – the costs of all electric distribution facilities and the land for the electric power sub-station were allocated on the basis of electric power use rates by land use category. These use rates are shown on Table B-6.

i) Fire Station Land Acquisition – the cost of acquiring the land for the fire station site was equally allocated on an acreage basis.

j) Reimbursements to Coker-Ewing for Previously Constructed Improvements – the MRD's share of the cost of improvements previously constructed on Douglas Boulevard by Coker-Ewing was equally allocated on an acreage basis.

k) Reimbursements to Coker-Ewing for Previously Constructed Improvements – the MRD's share of the cost of improvements previously constructed on and in the vicinity of Parcel 12 was equally allocated on an acreage basis.

13. The total cost allocated to each land use category was then divided by the total cost of all improvements to determine each category's percent share of the maximum necessary annual special tax. These calculations are shown on Table B-7.

14. These percent shares were then multiplied by the maximum necessary annual special tax to determine the maximum amount of special tax due from each category. The amounts were divided by the number of acres in each category to determine the maximum annual special tax to be levied per acre for each category.

The only exceptions are parcels 12 and 13a. Parcel 12 will participate in cost for the Eureka Road Bridge, Regional Water facilities, Fire Station Land Acquisition, and Reimbursements to Coker-Ewing for Previously Constructed Improvements only, as it is already substantially improved parcel. Parcel 13a will participate in Roadway Facilities and Eureka Road Bridge costs only because it is not part of the Plan Area and is already improved; it will pay for Roadway Facilities costs on the basis of the incremental increase in traffic generated as a result of its integral development with Parcel 13. The calculations for percent share of costs and maximum annual special tax to be levied per square foot against both of these parcels are shown on Tables B-7 and B-8 respectively.

Because the precise location and dimension of the fire station site is not known, The District will be reimbursed by the City for all improvements made to serve the Fire Station site.

TABLE B-4

TRAFFIC GENERATION SCHEDULE

Land Use		Traffic Generation Factor
Residential – 5.5	4.0	Dwelling Unit Equivalents/Per Acre
Residential – 9	6.0	Dwelling Unit Equivalents/Per Acre
Residential – 10	7.0	Dwelling Unit Equivalents/Per Acre
Business/Professional Offices	18.4	Dwelling Unit Equivalents/Per Acre
Research & Development	18.4	Dwelling Unit Equivalents/Per Acre
General Commercial	29.7	Dwelling Unit Equivalents/Per Acre
Regular Commercial	22.3	Dwelling Unit Equivalents/Per Acre
Highway Commercial	29.7	Dwelling Unit Equivalents/Per Acre

TABLE B-5

STORM RUNOFF SCHEDULE

Land Use		Drainage Factor
Residential	.4	Runoff Equivalent Per Acre
Commercial, Business/ Professional & Research & Development	.95	Runoff Equivalent Per Acre

TABLE B-6

ELECTRIC POWER CONSUMPTION SCHEDULE

Land Use		Consumption Factor
Residential		
Single Family	10	KWH Per Day Per Unit
Multiple Family	6	KWH Per Day Per Unit
Commercial, Business/ Professional & Research & Development	.025	KWH Per Day Per Building Sq. Ft.

TABLE B-7

TOTAL CONSTRUCTION COSTS AND RELATIVE SHARES

Non-Residential Land Use Categories	Acres	Total Cost	Cost/Acre	% Share of Total Cost	% of Total Net of Parcel 15
Business/Professional	195.8767	\$ 7,470,235	\$38,137	33.46%	42.66%
Research & Development	124.7388	4,811,273	38,571	21.55%	0.00%
Commercial	162.8119	6,717,981	41,262	30.09%	38.36%
Residential Land Use Categories	Acres	Total Cost	Cost/Acre	% Share of Total Cost	% of Total Net of Parcel 15
Single Family	56.7131	\$ 1,178,968	\$20,788	5.28%	6.73%
Multiple Family	82.24055	\$ 1,865,899	\$22,688	8.36%	10.65%
Partially Participating Parcels	Acres	Total Cost	Cost/Acre	% Share of Total Cost	% of Total Net of Parcel 15
Parcel 12	22.0172	\$ 107,900	\$ 4,901	0.48%	0.62%
Parcel 13a	<u>17.993</u>	\$ 171,186	<u>\$ 9,514</u>	<u>0.77%</u>	<u>0.98%</u>
TOTALS:	662.3913	\$22,323,443		100.00%	<u>100.00%</u>

TABLE B-8

MAXIMUM ANNUAL SPECIAL TAX RATE CALCULATIONS

Non-Residential Land Use Categories	Acres	% Share of Maximum Tax	Maximum Annual Tax	Tax/Acre
Business/Professional	195.8767	42.66%	\$1,442,734	\$7,366
Research & Development	124.7388	0.00%	\$ 0	\$ 0
Commercial	162.8119	38.36%	\$1,297,450	\$7,969
Residential Land Use Categories	Acres	% Share of Maximum Tax	Maximum Annual Tax	Tax/Acre
Single Family	56.7131	6.73%	\$ 227,695	\$4,015
Multiple Family	82.24055	10.65%	\$ 360,363	\$4,382
Partially Participating Parcels	Acres	% Share of Maximum Tax	Maximum Annual Tax	Tax/Acre
Parcel 12	22.0172	0.62%	\$ 20,839	\$ 946
Parcel 13a	<u>17.993</u>	<u>0.98%</u>	\$ 33,061	<u>\$1,837</u>
TOTALS:	662.3913	100.00%	\$3,382,142	

Calculation of the Annual Tax

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

1) The total annual special tax levy required is calculated, based on the sum of the debt service required in the following year, the estimated cost of MRD administration, fiscal agent fees, and the amount needed to replenish the bond reserve fund if it were drawn down in the preceding year, less any interest earnings accrued on the bond reserve fund in the preceding year.

2) Multiply the total annual special tax levy by each land use category's percent share of the maximum necessary annual special tax calculated and shown above on Table B-7 to determine the special tax levy for each land use category. Divide that amount by the number of acres in each category to determine the special tax levy per acre in each land use category.

3) The tax rates per acre from Step 2 are compared to the maximum permitted tax rates. (Step 2) exceeds the maximum rate, the calculation is complete.

4) If one or more instances were identified in Step 3 where the actual tax rate (from Step 2) exceeded the maximum tax rate, the applicable tax rate would be decreased and set at the permitted maximum. To the extent that the tax rate for any land use category is below the maximum rate, the rate will be increased until the deficit is cured or until the maximum annual tax rate for that land use category is reached.

APPENDIX B

CITY OF ROSEVILLE NORTHEAST ROSEVILLE COMMUNITY FACILITIES DISTRICT NO. 2 METHOD AND FORMULA FOR LEVY OF SPECIAL TAX

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 Northeast Roseville Community Facilities District No. 2 ("CFD No. 2") 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, Section 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 CFD No. 2 as determined by the Finance Director of the City of Roseville.

"Annual Costs" means for each Fiscal Year for CFD No. 2, the total of (1) Debt Service, (2) Administrative Expenses, (3) any amounts needed to replenish bond reserve funds and to pay for delinquencies in Special Taxes for the previous Fiscal Year or anticipated for the current year, and (4) any pay-as-you-go expenditures for authorized improvements; less any amounts paid to CFD No. 2 from development fees, reimbursements, and/or prepaid Special Taxes as prescribed in Section 7.

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

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

"CFD No. 2" means the Northeast Roseville Community Facilities District No. 2 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 CFD No. 2 under the Act.

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

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

"**Debt Service**" means for each Fiscal Year or Bond Year, the total amount of principal and interest for any bonds of the City for CFD No. 2, less any applicable credits that may be available from any other sources and less any interest on reserve funds and other funds available to the City to pay principal and interest for the current or upcoming Fiscal Year or Bond Year.

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

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

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

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

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

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

"**NERSP**" means the Northeast Roseville Specific Plan.

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

"**Original Parcel**" means a Parcel as it existed at the time of the adoption by the Council of the Resolution of Formation and as listed in Attachment 1 and shown on Attachment 2.

"**Parcel**" means any County Assessor's Parcel in CFD No. 2 based on the equalized tax rolls of the County as of the end of each Fiscal Year.

"**Public Parcel**" means any Parcel that is, or is intended to be, publicly owned, as designated in the NERSP as adopted by the Council, that is normally exempt from the levy of general *ad valorem* property taxes under California law, including public streets, schools, parks and public drainageways, landscaping, green-belts and open space. These Parcels are exempt from the levy of Special Taxes as described below.

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

"Special Tax(es)" mean(s) any tax levy under the Act in CFD No. 2.

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

"Successor Parcel" means a Parcel created by Subdivision, lot line adjustment, or parcel map, and is not an Original Parcel.

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

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

"Tax-Exempt Parcel" means any Parcel that is a Public Parcel, any Parcel designated as wetlands, and any Parcel designated as urban reserve until such time that it is developed for residential or commercial/industrial purposes.

3. Determination of Parcels Subject to Special Tax.

The Special Tax shall be levied on the owner of record on the County Assessor's records as of the end of each Fiscal Year based on the land use classification and the Maximum Special Tax assigned to each Parcel by the Finance Director as of June 1 of each Fiscal Year.

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 Finance Director shall identify the Taxable Parcels from a list of all Parcels within CFD No. 2 using the procedure described below.

- 1) Exclude all Tax-Exempt Parcels.

However, Taxable Parcels that are acquired by a public agency after the CFD No. 2 is formed or subsequent Final Subdivision Maps are recorded will remain subject to the applicable Special Tax unless the Special Tax obligation is satisfied by the procedure described in Section 7. An exception to this may be made if Public Parcels are relocated and the previously Tax-Exempt Parcels become Taxable Parcels. This trading of Parcels will be allowed to the extent that there is no net loss in Maximum Special Tax revenue.

- 2) Exclude all Parcels that have satisfied their Special Tax obligation through the prepayment provisions of Section 7.
- 3) The remaining Parcels are subject to the Special Tax according to the formula detailed below.

It shall be the burden of the taxpayer to 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.

When all Annual Costs incurred by CFD No. 2 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 CFD No. 2 is recorded.

5. Assignment of Maximum Special Tax.

By June 1 of each Fiscal Year, using the Definitions above, the Finance Director shall cause:

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

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

- a) Original Parcel - the Maximum Special Tax for each Original Parcel is as shown on Attachment 1.
- b) Successor Parcel - the Maximum Special Tax for each Successor Parcel is determined as follows:
 - (i) If the Successor Parcel is the result of a single-family residential or individually owned condominium Parcel Subdivision, divide the Maximum Special Tax assigned to the Original Parcel or existing Successor Parcel, as calculated under (a) above or (b)(ii) below, by the number of single-family residential lots or condominium units. The result of this calculation is the Maximum Special Tax for each single-family residential or condominium Successor Parcel within the Subdivision.
 - (ii) If the Successor Parcel is not the result of a single-family residential or individually owned condominium Parcel Subdivision:
 - calculates the percentage of the Successor Parcel's square footage to the total square footage for all Taxable Successor Parcels; then,
 - multiply this percentage by the Maximum Special Tax assigned to the previous Original Parcel or Successor Parcel. The result of this calculation is the Maximum Special Tax.

- c) Residential Unit Transfer - the Maximum Special Tax assigned to a residential Parcel under (a) or (b) above, may be adjusted to reflect a change in residential units in the following manner:
- 1) Calculate the existing Maximum Special Tax per unit by dividing the Maximum Special Tax for the Parcel by the number of units assigned to that parcel as shown in Attachment 1 or as created through a Subdivision Successor Parcel;
 - 2) Calculate the total Maximum Special Tax being transferred by multiplying the number of units being transferred by the calculation in (1). Add the total Maximum Special Tax and number units being transferred to the Parcel(s) receiving the transferred units and of Maximum Special Tax.
 - 3) Subtract the total Maximum Special Tax and the number of units being transferred from step (2) from the Parcel transferring the Maximum Special Tax and the residential units.

Such unit transfer will be allowed under the following conditions:

- (i) any decrease in one Parcel's Maximum Special Tax assignment is offset by an equal increase in the Maximum Special Tax of other Parcels to ensure that there is no net loss in the total Maximum Special Taxes; and
 - (ii) all adjustments are agreed to by the affected property owners and the Finance Director.
- d) Conversion of a Tax-Exempt Parcel to a Taxable Parcel - if a Parcel designated in the NERSP as a Tax-Exempt Parcel is not needed for public use and is converted to a Taxable Parcel, it shall become subject to the Special Tax. The Maximum Special Tax for each such Parcel shall be set equal to the average tax for similar land uses as follows: \$831 per acre for residential; \$3,705 per acre for business park; \$4,730 per acre for general commercial; or \$5,566 per acre for highway commercial.

6. Setting the Annual Special Tax Rate.

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

- 1) Compute the Annual Costs using the definitions in Section 2.
- 2) For Tax-Exempt Parcels, no Special Tax shall be apportioned or levied, except as noted in Section 3, step (1) above.
- 3) Compute the total Special Tax revenue for all Parcels.
- 4) Compare the Annual Costs to the Special Tax revenue from Step 3 above. If the Annual Costs are lower than the Special Tax revenue, proportionally reduce the Maximum

Special Tax for each Parcel until the total Special Tax revenue equals the amount of Annual Costs.

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

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

As development and subdivision of the NERSP takes place, the Finance Director will maintain a file of each current assessor's Parcel number within CFD No. 2, its Maximum Special Tax, and the Maximum Special Tax on all Parcels within CFD No. 2 available for public inspection. This record shall show the Maximum Special Tax on all Original and Successor Parcels and a brief description of the process of assigning the Special Tax each time a Successor Parcel was created, including any adjustments due to change in use.

7. Prepayment of Special Tax Obligation.

A landowner may satisfy the Special Tax obligation on any given parcel in one of the following two ways:

A. A landowner may prepay the facility costs allocated to a parcel up to 45 days prior to the sale of the first series of Special Tax bonds. The amount of such prepayment would be determined as follows:

- Step 1: Determine the facility cost allocation for a given parcel as shown in Attachment 1.
- Step 2: Add to the facility cost allocation any fees or expenses incurred by the City in connection with the prepayment calculation or the proceeds of the prepayment.
- Step 3: Add to the facility cost allocation a proportional share of CFD No. 2 formation costs not associated with the issuance of bonds.

The proceeds of the prepayment shall be used to construct or acquire authorized CFD No. 2 facilities, thereby reducing the total amount of bonds and the Annual Costs.

B. After the initial sale of bonds, landowners may permanently satisfy the Special Tax obligation by a cash settlement with the City as permitted under Government Code Section 53344. Prepayment is permitted only under the following conditions:

- The parcel is a whole Original Parcel or a Successor Parcel greater than ten acres.

- The City determines that the prepayment of the Special Tax obligation does not jeopardize its ability to make timely payments of debt service on outstanding bonds.
- Any landowner prepaying the Special Tax obligation must pay any and all delinquent special taxes and penalties prior to prepayment.

The prepayment amount shall be established by the following calculation:

- Step 1: Determine the Maximum Special Tax for the Parcel based on the assignment of the Maximum Special Tax described in Section 5 above.
- Step 2: Reduce the Maximum Special Tax by the 10 percent delinquency coverage factor and add back the actual average annual tax delinquency rate for property in CFD No. 2. If no delinquency history has been established for the Special Tax, add back to the annual Special Tax the most recent five-year average annual delinquency rate for secured property taxes in the City as a whole. The Maximum Special Tax may be reduced still further if all bonds of CFD No. 2 have been issued and the future debt service, through the maturity of all outstanding bonds, is known with certainty, except that the tax shall not be reduced below the amount determined necessary to pay Annual Costs.
- Step 3: Calculate the revenue produced by the reduced Special Tax from Step 2 from the date of prepayment up to and including the last maturity date of outstanding bonds. If all bonds of CFD No. 2 have not yet been issued, for the purpose of this calculation the final bond issue of CFD No. 2 shall be assumed to mature in 2020, except that this assumed final maturity date may be amended by the City no later than the time of the calculation of the prepayment.
- Step 4: Calculate the present value of the annual revenue stream determined in Step 3. The present value shall be calculated using that discount rate which, when the prepayment is invested in approved investments (as specified by the resolution authorizing the issuance of bonds) earning a rate of interest equal to the discount rate, would produce annual revenues equal to the amounts calculated in Step 3. The discount rate may not exceed the bond yield as determined by the Tax Reform Act of 1986, as may be amended.
- Step 5: Determine the prepayment amount by adding to the present value calculated in Step 4 any fees or expenses incurred by the City in connection with the prepayment calculation or the application of the proceeds of the prepayment.

8. Administrative Changes.

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

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

Interpretations may be made by Resolution of the City Council for purposes of clarifying any vagueness or ambiguity as it relates to the Special Tax rate, the method of apportionment, the classification of properties or any definition applicable to CFD No. 2.

Attachment 1
Northeast Roseville Community Facilities District No. 2
Maximum Annual Special Tax Per Original Parcel
30-Year Bonds

Original Taxable Parcel ⁽¹⁾	Original Parcel APNs ⁽¹⁾	Original Residential Units	Maximum Annual Special Tax	Facilities Cost ⁽²⁾	Percent of Total
1	048-020-060	357	\$18,657	\$148,905	1.24%
3	048-020-070	330	\$30,871	\$246,382	2.05%
5	015-450-005	180	\$22,140	\$176,702	1.47%
6	048-020-053		\$66,570	\$531,304	4.43%
7	048-010-032		\$184,271	\$1,470,680	12.26%
	048-020-069				
7A	048-020-057-& 068		\$54,563	\$435,475	3.63%
8	048-010-034		\$90,474	\$722,082	6.02%
9	048-010-030		\$177,166	\$1,413,977	11.78%
10	048-010-035		\$87,134	\$695,424	5.80%
13	048-450-021 & 022		\$95,933	\$765,647	6.38%
13A	048-450-023 to 037		\$249,734	\$1,993,148	16.61%
14	048-450-016		\$246,877	\$1,970,348	16.42%
17	015-450-011		\$91,688	\$731,769	6.10%
18	015-450-010		\$7,960	\$63,533	0.53%
19	015-450-008		\$33,454	\$267,083	2.23%
20	015-450-009		\$46,075	\$367,730	3.06%
Totals		867	\$1,503,577	\$12,000,189	100.00%

(1) As shown on attachment 2.

(2) Facility cost is the base amount of cost to be paid if prepayment of the Special Tax is made 45 days prior to the initial sale of bonds.

APPENDIX C

PROPOSED FORM OF OPINION OF BOND COUNSEL

July __, 1998

Roseville Finance Authority
311 Vernon Street
Roseville, California 95678

OPINION: \$32,715,000 Roseville Finance Authority Local Agency Revenue Bonds
(1998 Northeast CFD Bond Refinancing), Series A

Members of the Authority:

We have acted as bond counsel to the Roseville Finance Authority (the "Authority") in connection with the delivery by the Authority of \$32,715,000 aggregate principal amount of bonds of the Authority designated the "Roseville Finance Authority Local Agency Revenue Bonds (1998 Northeast CFD Bond Refinancing), Series A" (the "Bonds"), issued pursuant to the provisions of the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 (commencing with Section 6584) of Chapter 5, Division 7, Title 1 of the Government Code of the State of California (the "Bond Law"), and pursuant to an Indenture of Trust dated as of July 1, 1998 (the "Indenture"), by and between the Authority and U.S. Bank Trust National Association, as trustee. We have examined the Bond Law, an executed copy of the Indenture 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 Authority contained in the Indenture 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 our examination we are of the opinion, under existing law, that:

1. The Authority is a public agency duly organized and existing under the laws of the State of California, with power to enter into the Indenture, to perform the agreements on its part contained therein and to issue the Bonds.
2. The Bonds have been duly authorized, executed and delivered by the Authority and are legal, valid and binding obligations of the Authority, payable solely from the sources provided therefor in the Indenture.
3. The Indenture has been duly approved by the Authority and constitutes a legal, valid and binding obligation of the Authority enforceable against the Authority in accordance with its terms.
4. Pursuant to the Bond Law, the Indenture establishes a valid lien on and pledge of the Revenues (as such term is defined in the Indenture) for the security of the Bonds.

5. Interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings. The opinions set forth in the preceding sentence are subject to the condition that the Authority comply with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Authority 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. 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 Indenture 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 accordance with principles of equity or otherwise in appropriate cases.

Respectfully submitted,

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

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

Definitions

"Act" means Articles 1 through 4 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the Government Code of the State of California.

"Authorized Representative" means: (a) with respect to the Authority, its Chairperson, Executive Director, Controller/Treasurer or Secretary, or any other person designated as an Authorized Representative of the Authority by a Written Certificate of the Authority signed by its Chairperson and filed with the City and the Trustee; (b) with respect to the City, its City Manager or Director of Finance, or any other person designated as an Authorized Representative of the City in a Written Certificate of City signed by its City Manager and filed with the Authority and the Trustee; and (c) with respect to the Trustee, the Senior Vice President, any Vice President, any Assistant Vice President or any Trust Officer of the Trustee, and when used with reference to any act or document also means any other person authorized to perform such act or sign any document by or pursuant to a resolution of the Board of Directors of the Trustee or the by-laws of the Trustee.

"Bond Counsel" means Nossaman, Guthner, Knox & Elliott, LLP, San Francisco, California, and its successors; or any other firm of nationally recognized bond counsel selected by the City and acceptable to the Authority.

"Bond Insurer" means Financial Security Assurance Inc., a New York stock insurance company, or any successor thereto or assignee thereof, as issuer of the Insurance Policy.

"Bond Law" means Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the California Government Code, as amended from time to time.

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

"Business Day" means a day which is not a Saturday, Sunday or legal holiday on which banking institutions in the State of California, or in any state in which the Office of the Trustee is located, are closed.

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

"Defeasance Obligations" means any of the following, or any combination thereof: (a) cash, (b) State and Local Government Series securities issued by the United States Treasury, (c) United States Treasury bills, notes and bonds, as traded on the open market, (d) zero coupon United States Treasury Bonds, and (e) any other investments approved by the Bond Insurer as Defeasance Obligations.

"Depository" means (a) initially, DTC, and (b) any other Securities Depositories acting as Depository.

"Depository System Participant" means any participant in the Depository's book-entry system.

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

"Event of Default" means any of the events specified as such in the Indenture.

"Fair Market Value" means, with respect to any investment, the price at which a willing buyer would purchase such 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 Tax Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as described above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Tax 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 Tax Code, or (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.

"Fiscal Agent Agreement" means, as to each respective issue of Special Tax Refunding Bonds, as applicable, the Fiscal Agent Agreement, dated as of July 1, 1998, by and between the City and the Special Tax Refunding Bonds Fiscal Agent with respect to such issue, as originally executed or as thereafter amended pursuant to any duly authorized and executed amendments thereto.

"Fiscal Year" means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other twelve-month period hereafter selected and designated as the official fiscal year period of the Authority designated in a Written Certificate of the Authority delivered to the Trustee.

"Indenture" means the Indenture, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture.

"Independent Financial Consultant" means any financial consultant or firm of such financial consultants appointed by the Authority and acceptable to the Bond Insurer and who, or each of whom: (a) is judged by the Authority to have experience with respect to the financing of public capital improvement projects; (b) is in fact independent and not under the domination of the Authority; (c) does not have any substantial interest, direct or indirect, with the Authority, other than as Original Purchaser; and (d) is not connected with the Authority as an officer or employee of the Authority, but who may be regularly retained to make reports to the Authority.

"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 10006; Moody's Investors Service's "Municipal and Government," 5250 77 Center Drive, Charlotte, North Carolina 28217, Attention: Municipal News Reports; Standard & Poor's Ratings Services' "Called Bond Record," 25 Broadway, 3rd Floor, New York, New York 10004; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other services providing information with respect to called bonds as the Authority may designate in a Written Certificate of the Authority delivered to the Trustee.

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

"Interest Payment Date" means March 1 and September 1 in each year, commencing March 1, 1999, so long as any Bonds remain Outstanding.

"Moody's" means Moody's Investors Service, its successors and assigns.

"Nominee" means (a) initially, Cede & Co. as nominee of DTC, and (b) any other nominee of the Depository.

"Northeast Roseville CFD No. 1 Bonds" means the City's \$19,005,000 aggregate principal amount of City of Roseville Northeast Roseville Community Facilities District No. 1 1998 Special Tax Refunding Bonds.

"Northeast Roseville CFD No. 2 Bonds" means the City's \$13,710,000 aggregate principal amount of City of Roseville Northeast Roseville Community Facilities District No. 2 1998 Special Tax Refunding Bonds.

"Office" means, with respect to the Trustee, the corporate trust office of U.S. Bank Trust National Association in San Francisco, California, or at such other or additional offices as may be specified by the Trustee in writing to the Authority; provided that for the purposes of maintenance of the Registration Books and presentation of Bonds for transfer, exchange or payment, such term shall mean the corporate trust office or agency of U.S. Bank Trust National Association in St. Paul, Minnesota, or such other office designated by the Trustee.

"Original Purchaser" means PaineWebber Incorporated as the original purchaser of the Bonds.

"Outstanding," when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture) all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) Bonds with respect to which all liability of the Authority shall have been discharged in accordance with the Indenture, including Bonds (or portions of Bonds) disqualified; and (c) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the Indenture.

"Owner," whenever used therein with respect to a Bond, means the person in whose name the ownership of such Bond is registered on the Registration Books.

"Permitted Investments" means any of the following which at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein (the Trustee entitled to rely upon investment direction from the Authority as a certification that such investment constitutes a Permitted Investment).

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

(b) Federal Housing Administration debentures.

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

Federal Home Loan Mortgage Corporation (FHLMC);

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

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

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

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

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

Financing Corporation (FICO); Debt obligations;

Resolution Funding Corporation (REFCORP); Debt obligations.

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

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

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

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

(h) "State Obligations," which means:

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

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

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

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

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

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

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

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

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

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

(j) Repurchase agreements:

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

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

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

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

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

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

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

(k) Investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which, or, in the case of a guaranteed

corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor is rated at least "AA" by S&P and "Aa" by Moody's; provided that, by the terms of the investment agreement.

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

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

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

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

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

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

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

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

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

(i) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the Issuer or the Trustee (who

shall give such direction if so directed by the Insurer), be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Issuer or Trustee, as appropriate, and

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

(l) Shares in the California Asset Management Program.

"Prepayments" means any amounts received by the Trustee representing a redemption of the Special Tax Refunding Bonds pursuant to a Fiscal Agent Agreement as prepayment in whole or in part of the Special Tax, including interest and premiums related thereto and paid upon such redemption; but excluding the amount of regularly scheduled payments of principal of and interest on the Special Tax Refunding Bonds paid concurrent therewith.

"Record Date" means: (a) the 15th calendar day of the month preceding each Interest Payment Date, whether or not such day is a Business Day, and (b) any date established by the Trustee pursuant as a Record Date for the payment of defaulted interest on the Bonds, if any.

"Redemption Price" means the aggregate amount of principal of and premium (if any) on the Bonds upon the redemption thereof.

"Registration Books" means the records maintained by the Trustee for the registration of ownership and registration of transfer of the Bonds pursuant to the Indenture.

"Revenues" means, (a) all amounts derived from or with respect to the Special Tax Refunding Bonds, including but not limited to all payments of principal thereof and interest thereon, and (b) investment income with respect to any moneys held by the Trustee in the funds and accounts established under the Indenture.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., its successors and assigns.

"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 Authority may designate in a Written Certificate of the Authority delivered to the Trustee.

"Special Tax Refunding Bonds Fiscal Agent" means U.S. Bank Trust National Association, a national banking association organized and existing under the laws of the United States of America, or any other entity designated in accordance with the respective Fiscal Agent Agreement as successor fiscal agent for the Special Tax Refunding Bonds.

"Special Tax Refunding Bonds" means the Northeast Roseville CFD No. 1 Bonds and the Northeast Roseville CFD No. 2 Bonds.

"Tax Code" means the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise referenced therein) as it may be amended to apply to obligations issued on the Closing Date, together with applicable proposed, temporary and final regulations promulgated, and applicable official guidance published, under the Tax Code.

"Written Certificate" and "Written Request" of the Authority or the City mean, respectively, a written certificate or written request signed in the name of the Authority by its Authorized Representative or in the name of the City by its Authorized Representative. Any such certificate or request may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

Security Of Bonds; Flow Of Funds; Investments

Program Fund. There is established under the Indenture a separate fund to be known as the "Program Fund," which shall be held by the Trustee in trust. On the Closing Date, the Trustee shall withdraw from the Program Fund the purchase price of the Special Tax Refunding Bonds, and apply such amount to the purchase on such date of the Special Tax Refunding Bonds. The ownership of the Special Tax Refunding Bonds shall be registered to the Trustee upon the acquisition thereof. Any amounts remaining in the Program Fund following such disbursement shall be transferred to the Interest Account.

Pledge and Assignment; Series A Revenue Fund.

(a) Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, all of the Revenues and any other amounts (including proceeds of the sale of the Bonds) held in any fund or account established pursuant to the Indenture are pledged by the Authority to secure the payment of the principal of and interest on the Bonds in accordance with their terms and the provisions of the Indenture. Said pledge shall constitute a first lien on and security interest in such assets and shall attach, be perfected and be valid and binding from and after delivery of the Bonds by the Trustee, upon the physical delivery thereof.

(b) Under the Indenture, the Authority transfers in trust and assigns to the Trustee, for the benefit of the Owners from time to time of the Bonds and the Bond Insurer, all of the Revenues and all of the right, title and interest of the Authority in the Special Tax Refunding Bonds. The Trustee shall be entitled to and shall collect and receive all of the Revenues, and any Revenues collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority and shall forthwith be paid by the Authority to the Trustee. The Trustee also shall be entitled to and may take all steps, actions and proceedings reasonably necessary in its judgment, subject to the rights of the Bond Insurer contained in the Indenture, to enforce, either jointly with the Authority or separately, all of the rights of the Authority and all of the obligations of the City under and with respect to the Special Tax Refunding Bonds.

(c) All Revenues shall be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the "Series A Revenue Fund" which the Trustee shall establish, maintain and hold in trust. All Prepayments received by the Trustee shall be deposited by the Trustee in the Redemption Account to redeem the Bonds pursuant to the Indenture. All Revenues deposited with the Trustee shall be held, disbursed, allocated and applied by the Trustee only as provided in the Indenture.

Application of Series A Revenue Fund. The Trustee shall transfer from the Series A Revenue Fund and deposit into the following respective accounts (each of which the Trustee shall establish and maintain in trust separate and distinct from the other funds and accounts established under the Indenture), the following amounts at the following times in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

(a) On each Interest Payment Date or redemption date, the Trustee shall deposit in the Interest Account an amount which, together with the amounts then on deposit therein, is required to cause the aggregate amount on deposit in the Interest Account to equal the amount then required to make any payment then due.

(b) On September 1 of each year, commencing September 1, 1999, the Trustee shall deposit in the Principal Account an amount which, together with the amounts then on deposit therein, is required to cause the aggregate amount on deposit in the Principal Account to equal the aggregate amount of principal then coming due and payable on the Bonds, including the aggregate principal amount of the Term Bonds which are subject to mandatory sinking fund redemption on such September 1.

(c) Following the foregoing transfers on each Interest Payment Date, the Trustee shall deposit in the Surplus Account all remaining amounts.

Application of Interest Account. Subject to the provisions of the Indenture, all amounts in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it shall become due and payable. Any amounts on deposit in the Interest Account on any Interest Payment Date and not required to pay interest then due and payable on the Bonds shall be retained in the Interest Account and credited towards the payment of interest on the Bonds next coming due.

Application of Principal Account. Subject to the provisions of the Indenture, all amounts in the Principal Account shall be used and withdrawn by the Trustee solely to pay the principal of the Bonds upon the stated maturity thereof, and to pay the principal of the Term Bonds upon the mandatory sinking fund redemption.

Application of Redemption Account. The Trustee shall establish and maintain in trust separate and distinct from the other funds and accounts established under the Indenture, the Redemption Account. Subject to the provisions of the Indenture, all amounts deposited in the Redemption Account shall be used and withdrawn by the Trustee solely for the purpose of redeeming Bonds pursuant to the provisions of the Indenture with respect to optional redemption or mandatory redemption from prepayments of the special tax.

Application of Surplus Account. Promptly upon the deposit of amounts into the Surplus Account, the Trustee shall apply such amounts for the following purposes in the following order of priority:

(a) to pay or reimburse the payment of the reasonable costs and expenses incurred by the City or the Authority to administer the Bonds and the Special Tax Refunding Bonds, including reasonable fees and expenses of the Trustee, and

(b) to pay any amounts due and owing to the Bond Insurer, and

(c) upon written direction of the Authority, the remainder of such amounts shall be transferred to the City to be applied to reduce the Special Taxes (as defined in the Fiscal Agent Agreement) on a pro rata basis which are levied in the current or the succeeding Fiscal Year upon the properties which are subject to such Special Taxes to pay the principal of and interest on the Special Tax Refunding Bonds.

Investment of Moneys. Except as otherwise provided therein, all moneys in any of the funds or accounts established pursuant to the Indenture shall be invested by the Trustee solely in Defeasance Obligations or Permitted Investments, as directed in writing by the Authority two Business Days prior to the making of such investment. Permitted Investments may be purchased at such prices as the Authority shall determine. All Permitted Investments shall be acquired subject to any limitations or requirements as may be established by the Written Request of the Authority filed with the Trustee. Moneys in all funds and accounts shall be invested in Permitted Investments maturing not later than the date on which it is estimated that such moneys will be required for the purposes specified in the Indenture. Absent timely written direction from the Authority, the Trustee shall invest any funds held by it in Permitted Investments described in clause (e) of the definition thereof.

All interest, profits and other income received from the investment of moneys in any fund or account established pursuant to the Indenture shall be deposited in the Series A Revenue Fund. Permitted Investments acquired as an investment of moneys in any fund established under the Indenture shall be credited to such fund.

Valuation and Disposition of Investments. The Authority covenants that all investments of amounts deposited in any fund or account created by or pursuant to the Indenture, or otherwise containing gross proceeds of the Bonds (within the meaning of Section 148 of the Tax Code), shall be acquired and disposed of and valued at least quarterly at Fair Market Value. For purposes of any Fair Market Value determination under the Indenture, the Trustee shall be entitled to conclusively rely on a written direction of the Authority and shall be fully protected in relying thereon. Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Code shall be valued at their present value (within the meaning of Section 148 of the Code).

Particular Covenants

Punctual Payment. The Authority shall punctually pay or cause to be paid the principal, premium, if any, and interest to become due in respect of all the Bonds, in strict conformity with the terms of the Bonds and of the Indenture, according to the true intent and meaning thereof, but only out of Revenues and other assets pledged for such payment as provided in the Indenture and received by the Authority or the Trustee.

Extension of Payment of Bonds. The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default under the Indenture, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing herein shall be deemed to limit the right of the Authority to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of the Bonds.

Against Encumbrances. The Authority shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Revenues and other assets pledged or assigned under the Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by the Indenture. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, including other programs under the Bond Law, and reserves the right to issue other obligations for such purposes.

Power to Issue Bonds and Make Pledge and Assignment. The Authority is duly authorized pursuant to law to issue the Bonds and to enter into the Indenture and to pledge and assign the Revenues and other assets purported to be pledged and assigned, respectively, under the Indenture in the manner and to the extent provided in the Indenture. The Bonds and the provisions of the Indenture are and will be the legal, valid and binding special obligations of the Authority in accordance with their terms, and the Authority and the Trustee (subject to the provisions of Article VIII) shall at all times, to the extent permitted by law, defend, preserve and protect said pledge and assignment of Revenues and other assets and all the rights of the Bond Owners under the Indenture against all claims and demands of all persons whomsoever.

Accounting Records and Financial Statements. The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with industry standards, in which complete and accurate entries shall be made of all transactions relating to the proceeds of the Bonds, the Revenues, the Special Tax Refunding Bonds and all funds and accounts established pursuant to the Indenture. Such books of record and account shall be available for inspection by the Authority, the City and the Bond Insurer, during regular business hours and upon reasonable notice and under reasonable circumstances as agreed to by the Trustee.

Covenants With Respect to Special Tax Refunding Bonds.

(a) **Disposition of Special Tax Refunding Bonds.** The Trustee shall not sell or otherwise dispose of the Special Tax Refunding Bonds, or any interest therein, unless either (i) there shall have occurred and be continuing an Event of Default under the Indenture, or (ii) the proceeds derived by the Trustee from such sale or

other disposition are sufficient to enable the Trustee to redeem or defease all of the Outstanding Bonds in accordance with the terms of the Indenture.

(b) **Amendment of Special Tax Refunding Bonds.** Neither the Trustee nor the Authority shall consent or agree to consent to any amendment or modification of either Fiscal Agent Agreement or the Special Tax Refunding Bonds, unless the Authority shall have obtained, and caused to be filed with the Trustee, the prior written consent of the Bond Insurer.

(c) **Collection of Revenues.** The Trustee shall collect and cause to be paid to it all Revenues promptly as such Revenues become due and payable, and shall enforce and cause to be enforced all rights of the Trustee under and with respect to the Special Tax Refunding Bonds.

(d) **Allocation of Prepayments.** Upon receipt by the Trustee of notice from the Special Tax Refunding Bonds Fiscal Agent of any redemption of any Special Tax Refunding Bonds which will produce Prepayments, the Trustee shall promptly cause redemption of the Bonds pursuant to the Indenture.

(e) **Notification of Special Tax Refunding Bonds Default.** Upon receiving actual knowledge of either (i) the failure by the City to pay when due any installment of principal of or interest or premium (if any) on the Special Tax Refunding Bonds, or (ii) the occurrence of any other event of default under either Fiscal Agent Agreement, the Trustee shall promptly notify the Authority and the Bond Insurer of such failure or event of default by telephone, telefax or other form of telecommunication, promptly confirmed in writing. Such notice shall identify the nature of the default and the actions which the Trustee has taken and intends to take with respect thereto.

(f) **Exercise of Remedies With Respect to Special Tax Refunding Bonds.** Upon the occurrence of an event of default with respect to an issue of Special Tax Refunding Bonds, with the prior written consent of the Bond Insurer, the Trustee may, and if requested in writing by the Bond Insurer or (with the prior written consent of the Bond Insurer) if requested in writing by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding the Trustee shall, upon receipt of indemnity satisfactory to it, exercise any and all remedies granted to the Trustee under the Fiscal Agent Agreements or by law as registered owner of such issue of Special Tax Refunding Bonds.

Tax Covenants Relating to Bonds.

(a) **Private Activity Bond Limitation.** The Authority shall assure that the proceeds of the Bonds are not used so as to cause the Bonds to satisfy the private business tests of Section 141(b) of the Tax Code or the private loan financing test of Section 141(c) of the Tax Code.

(b) **Federal Guarantee Prohibition.** The Authority shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Tax Code.

(c) **No Arbitrage.** The Authority shall not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the Bond proceeds 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 Tax Code.

(d) **Rebate of Excess Investment Earnings to United States.** The Authority shall calculate or cause to be calculated excess investment earnings with respect to the Bonds which are required to be rebated to the United States of America pursuant to Section 148(f) of the Tax Code, and shall pay the full amount of such excess investment earnings to the United States of America in such amounts, at such times and in such manner as may be required pursuant to the Tax Code. Such payments shall be made by the Authority from any source of legally available funds of the Authority. The Trustee shall have no independent duty to enforce compliance with such rebate requirements.

Events Of Default And Remedies Of Bond Owners

Events of Default. The following events shall be Events of Default:

(a) Failure to pay any installment of principal of any Bonds when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, or otherwise; *provided, however,* that for purposes of determining whether an Event of Default has occurred under this clause (a), payments made by the Bond Insurer under the Insurance Policy shall be disregarded.

(b) Failure to pay any installment of interest on any Bonds when and as the same shall become due and payable; *provided, however,* that for purposes of determining whether an Event of Default has occurred under this clause (b), payments made by the Bond Insurer under the Insurance Policy shall be disregarded.

(c) Failure by the Authority to observe and perform any of the other covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, if such failure shall have continued for a period of 30 days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to the Authority by the Trustee, the Bond Insurer or the Owners of not less than 25% in aggregate principal amount of the Bonds at the time Outstanding; *provided, however,* if in the reasonable opinion of the Authority the failure stated in the notice can be corrected, but not within such 30-day period, such failure shall not constitute an Event of Default if corrective action is instituted by the Authority within such 30-day period and the Authority shall thereafter diligently and in good faith cure such failure in a reasonable period of time.

(d) The Authority or the City shall commence a voluntary case under Title 11 of the United States Code or any substitute or successor statute.

(e) Failure by the City to pay any installment of principal or interest on any Special Tax Refunding Bonds when and as the same shall become due and payable.

Notice of Event of Default. Immediately upon becoming aware of the occurrence of an Event of Default, the Trustee shall give notice of such Event of Default to the Authority and the Bond Insurer by telephone confirmed in writing.

Remedies. In each and every such case during the occurrence and continuation of an Event of Default, with the prior written consent of the Bond Insurer the Trustee may, and if requested in writing by the Bond Insurer or (with the prior written consent of the Bond Insurer) if requested in writing by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding the Trustee shall, exercise any and all remedies available pursuant to law for the equal benefit and protection of all Bond Owners similarly situated, including but not limited to the following:

(a) The Trustee shall have the right to enforce any and all remedies granted to it as the owner of any issue of the Special Tax Refunding Bonds under the terms of the Special Tax Refunding Bonds, under the terms of the Fiscal Agent Agreement, at law or in equity, a default with respect to which shall have occasioned the occurrence of an Event of Default under the Indenture;

(b) The Trustee shall have the right by mandamus, suit, action or proceeding, to compel the Authority and its members, officers, agents or employees to perform each and every term, provision and covenant contained in the Indenture and in the Bonds, and to require the carrying out of any or all such covenants and agreements of the Authority and the fulfillment of all duties imposed upon it by the Bond Law; or

(c) The Trustee shall have the right by suit, action or proceeding in equity, to enjoin any acts or things which are unlawful, or the violation of any of the Bond Owners' rights.

Application of Revenues and Other Funds After Default. If an Event of Default shall occur and be continuing, all Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of the Indenture shall be applied by the Trustee as follows and in the following order:

(a) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Owners of the Bonds and payment of reasonable fees, charges and expenses of the Trustee (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under the Indenture;

(b) To the payment of the principal of and interest then due with respect to the Bonds (upon presentation of the Bonds to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of the Indenture, as follows:

First: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal of any Bonds which shall have become due, whether at maturity or by call for redemption, with interest on the overdue principal at the rate borne by the respective Bonds on the date of maturity or redemption, and, if the amount available shall not be sufficient to pay in full all the Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference.

If an Event of Default shall occur and be continuing, the Trustee shall liquidate investment obligations in the Series A Revenue Fund and apply amounts credited to such funds as set forth above.

Trustee to Represent Bond Owners. The Trustee is irrevocably appointed (and the successive respective Owners of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Owners of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to the Owners under the provisions of the Bonds, the Indenture, the Bond Law and applicable provisions of any other law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Bond Owners, the Trustee in its discretion may with the prior written consent of the Bond Insurer, and at the written request of the Bond Insurer, or (with the prior written consent of the Bond Insurer) at the written request of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding and upon being reasonably indemnified therefor, the Trustee shall, proceed to protect or enforce its rights or the rights of such Owners by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained therein, or in aid of the execution of any power therein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee, the Bond Insurer and such Owners under the Bonds, the Indenture, the Bond Law or any other law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Revenues and other assets pledged under the Indenture, pending such proceedings. All rights of action under the Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of the Owners of such Bonds, subject to the provisions of the Indenture.

Bond Owners' Direction of Proceedings. Anything in the Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, by an

instrument or concurrent instruments in writing executed and delivered to the Trustee, and upon indemnification of the Trustee to its reasonable satisfaction, to direct the method of conducting all remedial proceedings taken by the Trustee under the Indenture, provided that such direction shall not be otherwise than in accordance with law and the provisions of the Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bond Owners not parties to such direction; provided further, however, that so long as the Bond Insurer shall not be in default in its payment obligations under the Insurance Policy, the Bond Insurer shall have the sole right to direct such proceedings.

Limitation on Bond Owners' Right to Sue. No Owner of any Bonds shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture, the Bond Law or any other applicable law with respect to such Bonds, unless (a) such Owner shall have given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, shall have made written request upon the Trustee to exercise the powers theretofore granted or to institute such suit, action or proceeding in its own name; (c) such Owner or said Owners shall have tendered to the Trustee indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee. Notwithstanding the above, so long as the Bond Insurer shall not be in default in its payment obligations under the Insurance Policy, the Bond Insurer shall have the sole right to institute such action.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds or by the Bond Insurer of any remedy under the Indenture or under law; it being understood and intended that no one or more Owners of Bonds or the Bond Insurer shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Indenture or the rights of any other Owners of Bonds, or to enforce any right under the Bonds, the Indenture, the Bond Law or other applicable law with respect to the Bonds, except in the manner therein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner therein provided and for the benefit and protection of the Bond Insurer and all Owners of the Outstanding Bonds, subject to the provisions of the Indenture.

Absolute Obligation of Authority. Nothing in the Indenture or in the Bonds contained shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay the principal of and interest on the Bonds to the respective Owners of the Bonds at their respective dates of maturity, or upon call for redemption, as therein provided, but only out of the Revenues and other assets therein pledged therefor and received by the Authority or the Trustee, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

Rights of the Bond Insurer. Anything in the Indenture to the contrary notwithstanding, upon the occurrence and continuation of an Event of Default, the Bond Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted under the Indenture to the Bond Owners, or to the Trustee for the benefit of the Bond Owners. The rights granted to the Bond Insurer under the Indenture shall be deemed terminated and shall not be exercisable by the Bond Insurer during any period during which the Bond Insurer shall be in default under the Insurance Policy.

The Trustee

Removal of Trustee. The Authority may remove the Trustee at any time, unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee (i) if at any time requested to do so by an instrument in writing signed by the Bond Insurer as a result of a breach of trust by the Trustee, or if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or (ii) if at any time the Trustee shall cease to be eligible, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take

control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation. In each case such removal shall be accomplished by the giving of 30 days' written notice of such removal by the Authority to the Trustee, whereupon the Authority shall appoint a successor Trustee by an instrument in writing with the prior written consent of the Bond Insurer. Additionally, the Bond Insurer may remove the Trustee at any time by the giving of 30 days' written notice of such removal to the Authority and the Trustee, whereupon the Authority shall appoint a successor Trustee by an instrument in writing with the prior written consent of the Bond Insurer. Additionally, the Bond Insurer may remove the Trustee at any time by the giving of 30 days' written notice of such removal to the Authority and the Trustee, whereupon the Authority shall appoint a successor Trustee by an instrument in writing with the prior written consent of the Bond Insurer.

Resignation of Trustee. The Trustee may at any time resign by giving written notice of such resignation by first class mail, postage prepaid, to the Authority and the Bond Insurer, and to the Bond Owners notice of such resignation at the respective addresses shown on the Registration Books. Upon receiving such notice of resignation, the Authority shall promptly appoint a successor Trustee by an instrument in writing with the prior written consent of the Bond Insurer. The Trustee shall not be relieved of its duties until such successor Trustee has accepted appointment.

Appointment of Successor Trustee. Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee; provided, however, that under any circumstances the successor Trustee shall be qualified as provided in the Indenture. If no qualified successor Trustee shall have been appointed and have accepted appointment within 45 days following giving notice of removal or notice of resignation as aforesaid, the resigning Trustee, the Bond Insurer or any Bond Owner (on behalf of himself and all other Bond Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under the Indenture shall signify its acceptance of such appointment by executing and delivering to the Authority and to its predecessor Trustee a written acceptance thereof, and to the predecessor Trustee an instrument indemnifying the predecessor Trustee for any costs or claims arising during the time the successor Trustee serves as Trustee under the Indenture, and after payment by the authority of all unpaid fees and expenses of the predecessor Trustee, the such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee therein; but, nevertheless at the Written Request of the Authority or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under the Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions therein set forth. Upon request of the successor Trustee, the Authority shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations.

Special Tax Refunding Bonds Fiscal Agent To Act As Trustee under the Indenture. So long as the Trustee shall be the owner of the Special Tax Refunding Bonds, no entity shall be qualified to act as the Trustee (or to act as any successor Trustee) except the Special Tax Refunding Bonds Fiscal Agent. Upon any resignation or removal of the Special Tax Refunding Bonds Fiscal Agent in accordance with either Fiscal Agent Agreement, such event shall automatically cause the resignation or removal of the Trustee under the Indenture; and upon the appointment of a successor Special Tax Refunding Bonds Fiscal Agent in accordance with such Fiscal Agent Agreement, such appointment shall automatically constitute the appointment of a successor Trustee under the Indenture. Under no circumstances shall the Trustee be removed or resign under the Indenture unless the Special Tax Refunding Bonds Fiscal Agent shall be removed or resign as such under and pursuant to either Fiscal Agent Agreement.

In the event that the Trustee shall no longer be the owner of the Special Tax Refunding Bonds, the Trustee appointed in succession to the Trustee shall be a trust company or bank having the powers of a trust company,

having a combined capital and surplus of at least \$75,000,000, and subject to supervision or examination by federal or state agency.

Modification Or Amendment Of The Indenture

Amendments Permitted.

(a) The Indenture and the rights and obligations of the Authority and of the Owners of the Bonds and of the Trustee may be modified or amended from time to time and at any time by an indenture or indentures supplemental thereto, which the Authority and the Trustee may enter into with the written consent of the Bond Insurer and the Owners of a majority in aggregate principal amount of all Bonds then Outstanding, which shall have been filed with the Trustee. No such modification or amendment shall (i) extend the fixed maturity of any Bonds, or reduce the amount of principal thereof, or extend the time of payment, without the consent of the Owner of each Bond so affected, or (ii) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or (iii) permit the creation of any lien on the Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture or deprive the Owners of the Bonds of the lien created by the Indenture on such Revenues and other assets (except as expressly provided in the Indenture), without the consent of the Owners of all of the Bonds then Outstanding. It shall not be necessary for the consent of the Bond Owners to approve the particular form of any supplemental indenture, but it shall be sufficient if such consent shall approve the substance thereof. Promptly after the execution by the Authority and the Trustee of any supplemental Indenture pursuant to this subsection (a), the Trustee shall mail a notice (the form of which shall be furnished to the Trustee by the Authority), by first class mail postage prepaid, setting forth in general terms the substance of such supplemental indenture, to the Owners of the Bonds at the respective addresses shown on the Registration Books. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental indenture.

(b) The Indenture and the rights and obligations of the Authority, of the Trustee and the Owners of the Bonds may also be modified or amended from time to time and at any time by an indenture or indentures supplemental thereto, which the Authority and the Trustee may enter into with the prior written consent of the Bond Insurer but without the consent of any Bond Owners, for any one or more of the following purposes:

(i) to add to the covenants and agreements of the Authority in the Indenture contained other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power therein reserved to or conferred upon the Authority;

(ii) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision contained in the Indenture;

(iii) to modify, amend or supplement the Indenture in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute;

(iv) to modify, amend or supplement the Indenture in such manner as to cause interest on the Bonds to be excludable from gross income for purposes of federal income taxation by the United States of America; and

(v) in any other respect whatsoever as the Authority may deem necessary or desirable, provided that such modification or amendment does not materially adversely affect the interests of the Bond Owners under the Indenture, in the opinion of Bond Counsel filed with the Authority and the Trustee.

Defeasance

Discharge of Indenture. The Bonds may be paid by the Authority in any of the following ways, provided that the Authority also pays or causes to be paid any other sums payable under the Indenture by the Authority:

- (a) by paying or causing to be paid the principal of and interest on the Bonds, as and when the same become due and payable;
- (b) by depositing with the Trustee, in trust, at or before maturity, money or securities in the necessary amount to pay or redeem all Bonds then Outstanding; or
- (c) by delivering to the Trustee, for cancellation by it, all of the Bonds then Outstanding.

If the Authority shall also pay or cause to be paid all other sums payable under the Indenture by the Authority including without limitation any compensation due and owing the Trustee under the Indenture, then and in that case, at the election of the Authority (evidenced by a Written Certificate of the Authority, filed with the Trustee, signifying the intention of the Authority to discharge all such indebtedness and the Indenture), and notwithstanding that any Bonds shall not have been surrendered for payment, the Indenture and the pledge of Revenues and other assets made under the Indenture and all covenants, agreements and other obligations of the Authority under the Indenture shall cease, terminate, become void and be completely discharged and satisfied. In such event, upon the Written Request of the Authority, and upon receipt of a Written Certificate of an Authorized Representative of the Authority and an opinion of Bond Counsel, each to the effect that all conditions precedent therein provided for relating to the discharge and satisfaction of the obligations of the Authority have been satisfied, the Trustee shall cause an accounting for such period or periods as may be requested by the Authority to be prepared and filed with the Authority and shall execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign or deliver all moneys or securities or other property held by it pursuant to the Indenture, which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption, to the Authority.

Payment of Bonds After Discharge of Indenture. Any moneys held by the Trustee in trust for the payment of the principal of, or interest on, any Bonds and remaining unclaimed for two years after the principal of all of the Bonds has become due and payable (whether at maturity or upon call for redemption), if such moneys were so held at such date, or two years after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, shall be repaid to the Authority free from the trusts created by the Indenture upon receipt of an indemnification agreement acceptable to the Authority and the Trustee indemnifying the Trustee with respect to claims of Owners of Bonds which have not yet been paid, and all liability of the Trustee with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the Authority as aforesaid, the Trustee may (at the cost of the Authority) first mail, by first class mail postage prepaid, to the Owners of Bonds which have not yet been paid, at the respective addresses shown on the Registration Books, a notice, in such form as may be deemed appropriate by the Trustee with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Authority of the moneys held for the payment thereof.

Payments by Bond Insurer; Subrogation Rights. Notwithstanding the foregoing provisions of the Indenture, in the event that the principal of and interest on the Bonds shall be paid by the Bond Insurer pursuant to the Insurance Policy, (a) the Bonds shall remain Outstanding and shall not be deemed to have been paid and discharged under the Indenture, (b) the obligations of the Trustee and the Authority shall continue in full force and effect with respect to such Bonds, and (c) the Bond Insurer shall be fully subrogated to the rights of all Owners of the Bonds so paid.

Miscellaneous

Liability of Authority Limited to Revenues. Notwithstanding anything in the Indenture or in the Bonds contained, neither the Authority nor any member thereof shall be required to advance any moneys derived from any

source other than the Revenues and other assets pledged under the Indenture for any of the purposes in the Indenture mentioned, whether for the payment of the principal of or interest on the Bonds or for any other purpose of the Indenture. Nevertheless, the Authority may, but shall not be required to, advance for any of the purposes thereof any funds of the Authority which may be made available to it for such purposes.

Limitation of Rights. Nothing in the Indenture or in the Bonds expressed or implied is intended or shall be construed to give to any person other than the Authority, the Trustee, the City, the Bond Insurer and the Owners of the Bonds, any legal or equitable right, remedy or claim under or in respect of the Indenture or any covenant, condition or provision therein or therein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Authority, the Trustee, the City, the Bond Insurer and the Owners of the Bonds.

Provisions Relating to Bond Insurer; Consents.

(a) The rights granted to the Bond Insurer under the Indenture (except those rights received under the Indenture by virtue of subordination to the Bond Owners) shall be deemed terminated and shall not be exercisable by the Bond Insurer during any period during which the Bond Insurer shall be in default in its payment obligation under the Insurance Policy or during which any event of bankruptcy shall have occurred and be continuing by the Bond Insurer.

(b) Except as may be otherwise expressly provided in the Indenture, the Bond Insurer shall be deemed to be the Owner of a sufficient percentage of the Outstanding Bonds for the purpose of (i) initiating any action or effecting any demand which the Bond Owners are entitled to initiate or effect under the Indenture, and (ii) approving or disapproving any action, forbearance or amendment which is subject to the approval or initiation of the Bond Owners under the Indenture.

Evidence of Rights of Bond Owners. Any request, consent or other instrument required or permitted by the Indenture to be signed and executed by Bond Owners may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such Bond Owners in person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or of the holding by any person of Bonds transferable by delivery, shall be sufficient for any purpose of the Indenture and shall be conclusive in favor of the Trustee and the Authority if made in the manner provided in the Indenture.

The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent or other instrument 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.

The ownership of registered Bonds shall be proved by the Registration Books.

Any request, consent, or other instrument or writing of the Owner of any Bond shall bind every future Owner of the same Bond and the Owner of every Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Authority in accordance therewith or reliance thereon.

APPENDIX E

SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENTS

The following summary of the Fiscal Agent Agreements is a summary only and does not purport to be a complete statement of the contents thereof. Reference is made to the Fiscal Agent Agreements for the complete terms thereof. The Fiscal Agent Agreement for the CFD No. 1 Local Obligations and the Fiscal Agent Agreement for the CFD No. 2 Local Obligations are substantially similar; accordingly, the summary and defined terms used herein applies to each Fiscal Agent Agreement respectively.

Definitions

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

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

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

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

"Authority" means the Roseville Finance Authority, a joint exercise of powers authority organized and existing under and by virtue of the laws of the State of California.

"Authority Bonds" means the Roseville Finance Authority Local Agency Revenue Bonds (1998 Northeast CFD Bond Refinancing), Series A.

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

"Authority Indenture" means the Indenture of Trust dated as of July 1, 1998 by and between the Authority and U.S. Bank Trust National Association providing for the issuance of the Authority Bonds.

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

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

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

"Bonds" means the City of Roseville Northeast Roseville Community Facilities District No. 1 1998 Special Tax Refunding Bonds or the City of Roseville Northeast Roseville Community Facilities District No. 2 1998 Special Tax Refunding Bonds, as applicable, at any time Outstanding under the respective Fiscal Agent Agreement or any Supplemental Agreement.

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

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

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

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

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

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

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

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

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

"District" means the City of Roseville Northeast Roseville Community Facilities District No. 1 or the City of Roseville Northeast Roseville Community Facilities District No. 2, each formed pursuant to the resolution authorizing formation of the respective District.

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

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

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

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

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

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

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

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

"Information Services" means Financial Information, Inc 's "Daily Called Bond Service," 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention Editor; Kenny Information Services' "Called Bond Service," 65 Broadway, 16th Floor, New York, New York 10064; Moody's Investors Service "Municipal and Government," 5250 77 Center Drive, Charlotte, North Carolina 28217, Attention Municipal News Reports; Standard & Poor's Ratings Services "Called Bond Record," 25 Broadway, 3rd Floor, New York, New York 10004; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such services providing information with respect to called bonds as the City may designate in an Officer's Certificate delivered to the Fiscal Agent.

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

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

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

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

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

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

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

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

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

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

(b) Federal Housing Administration debentures.

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

Federal Home Loan Mortgage Corporation (FHLMC);

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

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

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

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

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

Financing Corporation (FICO); Debt obligations;

Resolution Funding Corporation (REFCORP); Debt obligations.

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

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

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

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

(h) "State Obligations," which means:

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

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

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

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

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

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

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

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

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

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

(j) Repurchase agreements:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(l) Shares in the California Asset Management Program.

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

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

"Prior Bonds" means the respective City of Roseville Northeast Roseville Community Facilities District No. 1 Special Tax Bonds, issued on May 11, 1988, in the original principal amount of \$27,375,000 or City of Roseville Northeast Roseville Community Facilities District No. 2 Special Tax Bonds, issued on April 4, 1991, in the original principal amount of \$14,050,000.

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

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

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

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

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

"Special Taxes" means the special taxes levied within the respective CFD No. 1 or CFD No. 2 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.

"Trustee" means the duly acting Trustee appointed by the Authority under the Authority Indenture.

Special Tax Revenues; Flow Of Funds

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

Special Tax Fund.

(A) **Establishment of Special Tax Fund.** There is established under the Fiscal Agent Agreement as a separate fund to be held by the Treasurer, the Northeast Roseville Community Facilities District No. 1 1998 Special Tax Refunding Bonds Special Tax Fund, to the credit of which the City shall deposit, immediately upon receipt, all Special Tax Revenue received by the City and any amounts required by the Fiscal Agent Agreement to be deposited therein. Moneys in the Special Tax Fund shall be held in trust by the City for the benefit of the City and the Owners of the Bonds, shall be disbursed as provided below and, pending any disbursement, shall be subject to a lien in favor of the Owners of the Bonds.

(B) **Disbursements.** No later than 10 Business Days prior to each Interest Payment Date, the City shall withdraw from the Special Tax Fund and transfer (i) to the Fiscal Agent for deposit in the Reserve Fund an amount such that the amount then on deposit therein is equal to the Reserve Requirement, and (ii) to the Fiscal Agent for deposit in the Bond Fund an amount, taking into account any amounts then on deposit in the Bond Fund such that the amount in the Bond Fund equals the principal, premium, if any, and interest due on the Bonds on the next Interest Payment Date. From time to time, the City shall withdraw from the Special Tax Fund amounts needed to pay Administrative Expenses; provided that such transfers shall not be in excess of the portion of the Special Tax Revenues collected by the City that represent levies for Administrative Expenses.

Bond Fund.

Establishment of Bond Fund. There is established in the Fiscal Agent Agreement as a separate fund to be held by the Fiscal Agent the Northeast Roseville Community Facilities District No. 1 1998 Special Tax Refunding Bonds Bond Fund, to the credit of which deposits shall be made as required by the Fiscal Agent Agreement or the Act. There is established in the Fiscal Agent Agreement as a separate account within the Bond Fund to be held by the Fiscal Agent the Prepayment Account. Moneys in the Bond Fund shall be held in trust by the Fiscal Agent for the benefit of the Owners of the Bonds, shall be disbursed for the payment of the principal of, and interest and any premium on, the Bonds as provided below, and, pending such disbursement, shall be subject to a lien in favor of the Owners of the Bonds.

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

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

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

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

Reserve Fund.

(A) Establishment of Fund. There is established in the Fiscal Agent Agreement as a separate fund to be held by the Fiscal Agent the Northeast Roseville Community Facilities District No. 1 1998 Special Tax Refunding Bonds Reserve Fund. Moneys in the Reserve Fund shall be held in trust by the Fiscal Agent for the benefit of the Owners of the Bonds as a reserve for the payment of principal of, and interest on, the Bonds and shall be subject to a lien in favor of the Owners of the Bonds. In lieu of funding the Reserve Fund with cash or in replacement thereof, the Reserve Fund may be funded with a Reserve Fund Credit Instrument acceptable to the Bond Insurer, which acceptance shall be evidenced by a written consent, and such credit instrument shall be held by the Fiscal Agent.

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

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

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

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

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

Costs of Issuance Fund.

Establishment of Costs of Issuance Fund. There is established in the Fiscal Agent Agreement as a separate fund to be held by the Fiscal Agent, the Northeast Roseville Community Facilities District No. 1 1998 Special Tax Refunding Bonds Costs of Issuance Fund. Moneys in the Costs of Issuance Fund shall be held in trust by the Fiscal Agent and shall be disbursed for the payment or reimbursement of Costs of Issuance.

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

Certain Covenants Of The City

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

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

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

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

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

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

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

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

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

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

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

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

Investments; Disposition Of Investment Proceeds

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

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

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

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

The Fiscal Agent

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

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

If no appointment of a successor Fiscal Agent shall be made within 45 days after the Fiscal Agent shall have given to the City written notice or after a vacancy in the office of the Fiscal Agent shall have occurred by reason of its inability to act, the Fiscal Agent or any Bondowner may apply to any court of competent jurisdiction to appoint a successor Fiscal Agent. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Fiscal Agent.

Modification Or Amendment Of Fiscal Agent Agreement

Amendments Permitted. Notwithstanding the provision regarding amendment of the Fiscal Agent Agreement, so long as the Authority Bonds are Outstanding, no amendment of the Fiscal Agent Agreement shall be made without the written consent of the Authority Bonds Bond Issuer. The Fiscal Agent Agreement and the rights and obligations of the City and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Agreement, with the written consent of the Bond Insurer, pursuant to the affirmative vote at a meeting of Owners, or with the written consent without a meeting, of the Owners of at least 60% in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Fiscal Agent Agreement. No such modification or amendment shall (i) extend the maturity of any Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the City to pay the principal of, and the interest and any premium on, any Bond, without the express consent of the Owner of such Bond, or (ii) permit the creation by the City of any pledge or lien upon the Special Taxes superior to or on a parity with the pledge and lien created for the benefit of the Bonds (except as otherwise permitted by the Act, the laws of the State of California or the Fiscal Agent Agreement), or reduce the percentage of Bonds required for the amendment of the Fiscal Agent Agreement. Any such amendment may not modify any of the rights or obligations of the Fiscal Agent without its written consent.

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

- (A) to add to the covenants and agreements of the City in the Fiscal Agent Agreement contained, other covenants and agreements thereafter to be observed, or to limit or surrender any right or power in the Fiscal Agent Agreement reserved to or conferred upon the City;
- (B) to make modifications not adversely affecting any outstanding series of Bonds of the City in any material respect;
- (C) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Fiscal Agent Agreement, or in regard to questions arising under the Fiscal Agent Agreement, as the City and the Fiscal Agent may deem necessary or desirable, and which shall not adversely affect the rights of the Owners of the Bonds;
- (D) to make such additions, deletions or modifications as may be necessary or desirable to assure compliance with Section 148 of the Code relating to required rebate of excess investment earnings to the United States or otherwise as may be necessary to assure exclusion from gross income for federal income tax purposes of interest on the Bonds or to conform with the Regulations.

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

Procedure for Amendment with Written Consent of Owners. The City and the Fiscal Agent may at any time enter into a Supplemental Agreement amending the provisions of the Bonds or of the Fiscal Agent Agreement or any Supplemental Agreement, to the extent that such amendment is permitted in the Fiscal Agent

Agreement. A copy of such Supplemental Agreement, together with a request to Owners for their consent thereto, if such consent is required, shall be mailed by first class mail, by the Fiscal Agent to each Owner of Bonds Outstanding, but failure to mail copies of such Supplemental Agreement and request shall not affect the validity of the Supplemental Agreement when assented to as provided in the Fiscal Agent Agreement.

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

Miscellaneous

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

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

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

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

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

Notwithstanding any of the foregoing provisions with respect to defeasance of the Bonds, the requirements for defeasance of the Bonds shall meet the requirements for defeasance of the Authority Bonds.

So long as the Authority Bonds are insured by the Bond Insurer, the Trustee shall not dispose of the Bonds without the prior consent of the Authority Bonds Bond Insurer.

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

Except as otherwise in the Fiscal Agent Agreement expressly provided, the fact and date of the execution by any Owner or his attorney of such request, consent, declaration or other instrument, or of such writing appointing such attorney, may be proved by the certificate of any notary public or other officer authorized to take

acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request, declaration or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer.

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

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

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

APPENDIX F

FORM OF CONTINUING DISCLOSURE AGREEMENT

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

WITNESSETH:

WHEREAS, pursuant to the Indenture, dated as of July 1, 1998, by and between the Roseville Finance Authority (the "Authority") and the Trustee (the "Indenture"), the Authority has issued its Roseville Finance Authority Local Agency Revenue Bonds (1998 Northeast CFD Bond Refinancing), Series A (the "Series 1998 Bonds"), in the aggregate principal amount of \$32,715,000; for the purpose of financing the acquisition of \$19,005,000 aggregate principal amount of City of Roseville Northeast Roseville Community Facilities District No. 1 Special Tax Bonds (Placer County, California) (the "CFD No. 1" Local Obligations) of City of Roseville Northeast Roseville Community Facilities District No. 1 ("CFD No. 1") and \$13,710,000 aggregate principal amount of City of Roseville Northeast Roseville Community Facilities District No. 2 Special Tax Bonds (Placer County, California) (the "CFD No. 2 Local Obligations" and, together with the CFD No. 1 Local Obligations, the "Local Obligations") of City of Roseville Northeast Roseville Community Facilities District No. 2 ("CFD No. 2" and, together with CFD No. 1, the "Districts"); and

WHEREAS, this Disclosure Agreement is being executed and delivered by the City, the Trustee and the Dissemination Agent for the benefit of the holders and beneficial owners of the Series 1998 Bonds and in order to assist the underwriter of the Series 1998 Bonds in complying with Securities and Exchange Commission Rule 15c212(b)(5);

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

Section 1. Definitions. Capitalized undefined terms used herein shall have the meanings ascribed thereto in the Indenture. In addition, the following capitalized terms shall have the following meanings:

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

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

“Dissemination Agent” means the Bank, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the City and which has filed with the Trustee a written acceptance of such designation.

“Listed Events” means any of the events listed in Section 4(a) hereof.

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

“Official Statement” means the Official Statement, dated June 17, 1998, relating to the Series 1998 Bonds.

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

“Repository” means each National Repository and each State Repository.

“Rule” means Rule 15c212(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

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

Section 2. Provision of Annual Reports. (a) The City shall, or shall cause the Dissemination Agent to, provide to each Repository an Annual Report which is consistent with the requirements of Section 3 hereof, not later than eight months after the end of the City’s fiscal year (which currently would be March 1) (the “Annual Report Date”), commencing with the report for the 1997-98 fiscal year. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 3 hereof; provided, however, that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report if not available by that date. If the City’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 4(f) hereof.

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

(c) If the Trustee is unable to verify that an Annual Report has been provided to Repositories by the date required in subsection (a), the Trustee shall send a notice to the

Municipal Securities Rulemaking Board and the appropriate State Repository, if any, in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

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

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

(iii) file a report with the City and (if the Dissemination Agent is not the Trustee) the Trustee certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

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

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

(b) The following information:

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

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

(iii) A summary of the Special Tax levies by category of development and assessed lien-to-value ratios in form substantially similar to that set forth in Table 2 on page 29 of the Official Statement

(iv) A land ownership summary listing property owners responsible for more than 1% of the Special Tax levy as shown on the assessment roll next preceding the Annual Report Date, a summary of the Special Taxes levied on the property within the District owned by such property owners, the assessed value of such property, as shown on such assessment roll, and a statement of assessed value to District lien ratios therefor; provided, however, that if more than ten property owners are each responsible for more than 1% of such Special Tax levy,

such information need only be provided for the ten property owners responsible for the greatest portion of such Special Tax levy in form substantially similar to that provided in the Table 3 on page 29 of the Official Statement.

(v) A summary of the Special Tax levies and assessed lien-to-value ratios in form substantially similar to that set forth in Table 4 on page 31 of the Official Statement

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

(vii) A summary of the estimated annual debt service on the Bonds and the coverage produced by the maximum authorized Special Tax, based upon building permits issued as of the July 1 next preceding the Annual Report Date, substantially similar to that provided in Table 8 on page 34 of the Official Statement.

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

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

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

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Community Facilities District or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The City shall clearly identify each such other document so included by reference.

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

- (i) Principal and interest payment delinquencies.
- (ii) Nonpayment related defaults.
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (v) Substitution of credit or liquidity providers, or their failure to perform.
- (vi) Adverse tax opinions or events affecting the tax-exempt status of the security.
- (vii) Modifications to rights of security holders.
- (viii) Contingent or unscheduled bond calls.
- (ix) Defeasances.
- (x) Release, substitution, or sale of property securing repayment of the securities.
- (xi) Rating changes.

(b) The Trustee shall, promptly after obtaining actual knowledge of the occurrence of any of the Listed Events, contact the Disclosure Representative, inform such person of the event, and request that the City promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (f).

(c) Whenever the City obtains knowledge of the occurrence of a Listed Event, whether because of a notice from the Trustee pursuant to subsection (b) or otherwise, the City shall as soon as possible determine if such event would be material under applicable Federal securities law.

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

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

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

the Municipal Securities Rulemaking Board and each State Repository. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(viii) and (ix) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds pursuant to the Indenture.

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

Section 5. Termination of Reporting Obligation. The City's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 4(f) hereof.

Section 6. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing 30 days written notice to the City. The Dissemination Agent shall not be responsible for the content of any report or notice prepared by the City. The Dissemination Agent shall have no duty to prepare any information or report, nor shall the Dissemination Agent be responsible for filing any report not provided to it by the City in a timely manner and in a form suitable for filing.

Section 7. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the City, the Trustee and the Dissemination Agent may amend this Disclosure Agreement (and the Trustee and the Dissemination Agent shall agree to any amendment so requested by the City so long as such amendment does not adversely affect the rights or obligations of the Trustee or the Dissemination Agent), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to Sections 2(a), 3 or 4(a) hereof it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

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

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

(d) If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial

information containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

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

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

Section 9. Default. In the event of a failure of the City or the Trustee to comply with any provision of this Disclosure Agreement, the Trustee may (and, at the written direction of any Participating Underwriter or the holders of at least 25% aggregate principal amount of Outstanding Series 1998 Bonds, shall), or any holder or beneficial owner of the Series 1998 Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City or Trustee, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the City or the Trustee to comply with this Disclosure Agreement shall be an action to compel performance.

Section 10. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. Article VIII of the Indenture is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Indenture, and the Trustee and the Dissemination Agent shall be entitled to the protections, limitations from liability and indemnities afforded the Trustee thereunder. The Trustee and the Dissemination Agent shall have only such duties hereunder as are specifically set forth in this Disclosure Agreement. The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees, as agreed to by the City from time to time, and shall be reimbursed for all reasonable expenses, legal fees and advances made or incurred by it in the

performance of its duties hereunder. Neither the Dissemination Agent nor the Trustee shall have any duty or obligation to review any information provided to it hereunder.

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

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

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

**CITY OF ROSEVILLE, on behalf of the
Northeast Roseville Community Facilities
District No. 1 and District No. 2**

By:

City Manager

**U.S. BANK TRUST NATIONAL
ASSOCIATION, as Trustee**

By:

Authorized Officer

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

By:

Authorized Officer

EXHIBIT A

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

Name of Issuer: City of Roseville
Name of Bond Issue: Roseville Finance Authority Local Agency Revenue Bonds (1998
Northeast CFD Bond Refinancing), Series A
Date of Issuance: July 29, 1998

NOTICE IS HEREBY GIVEN that the City of Roseville (the "City") on behalf of City of Roseville Northeast Roseville Community Facilities District No. 1 and District No. 2 has not provided an Annual Report with respect to the above-named Bonds as required by the Indenture, dated as of July 1, 1998, by and between the City and U.S. Bank Trust National Association, as Trustee. The City anticipates that the Annual Report will be filed by

Dated:

, as
Trustee, on behalf of City of Roseville
Northeast Roseville Community Facilities
District No. 1 and District No. 2

cc: City of Roseville

APPENDIX G
FORM OF BOND INSURANCE POLICY



**FINANCIAL
SECURITY
ASSURANCESM**

MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No.: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

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

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

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

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

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

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

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

FINANCIAL SECURITY ASSURANCE INC.

By
Authorized Officer

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

(212) 826-0100

Form 500NY (5/90)

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

ISSUER:

Policy No.: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

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

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

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

FINANCIAL SECURITY ASSURANCE INC.

By

Authorized Officer

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

(212) 826-0100

Form 560NY (CA 1/91)

MUNISTATEMENTS.COM

Please note this page was imaged at the same time as the official statement. If pages of the official statement are missing or are less clear than this page, it is due to the poor content and/or photographic quality of the original official statement.

**Thomson Municipals Group
395 Hudson Street
Third Floor
New York, NY 10014**

CUSIP: 777812AAG - AN8

ISSUER: Roseville Finance Authority