

*In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming certain representations and compliance with certain covenants and requirements described herein, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax. See "LEGAL MATTERS — Tax Matters" herein.*

## ROSEVILLE FINANCE AUTHORITY

**\$35,870,000**  
**REVENUE BONDS**  
**2006 SERIES A (SENIOR LIEN BONDS)**  
**(Insured)**

**\$4,645,000**  
**REVENUE BONDS**  
**2006 SERIES B (JUNIOR LIEN BONDS)**  
**(Uninsured)**

Dated: Date of Delivery

Due: As shown on inside cover

The Bonds, consisting of the Series A Bonds and the Series B Bonds captioned above, are being issued by the Roseville Finance Authority (the "Authority"), pursuant to Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California to (i) acquire certain special tax bonds to be issued by the City of Roseville (the "City") concurrently with the issuance of the Bonds (the "CFD Bonds"), (ii) finance the acquisition and construction of certain public capital improvements (the "Project"), (iii) provide funds for a separate reserve fund for each series of Bonds, and (iv) pay a portion of the costs of issuance of the Bonds and CFD Bonds. The CFD Bonds are being issued to (i) refund two outstanding series of bonds (the "Prior Bonds"), (ii) finance certain public capital improvements, (iii) provide funds for a separate reserve fund for each series of Bonds, and (iv) pay a portion of the costs of issuance of the Bonds and CFD Bonds.

The Series A Bonds are payable solely from "Revenues" pledged by the Authority pursuant to that certain Indenture of Trust, dated as of April 1, 2006 (the "Indenture"), by and between the Authority and The Bank of New York Trust Company, N.A., as trustee (the "Trustee"). Revenues consist primarily of special taxes levied in two community facilities districts in the City and paid to the Authority as debt service on the CFD Bonds.

The Series B Bonds are payable from "Subordinated Revenues" pledged by the Authority pursuant to the Indenture. Subordinated Revenues generally consist of Revenues remaining after payment of debt service on the Series A Bonds and replenishment of the Series A Reserve Fund, if necessary.

The Bonds will be issued in denominations of \$5,000 or any integral multiple thereof. Interest is payable on September 1, 2006 and semiannually thereafter on March 1 and September 1 each year. The Bonds will be initially issued only in book-entry form and registered to Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository of the Bonds. Principal and interest (and premium, if any) on the Bonds is payable by the Trustee to DTC, which remits such payments to its Participants for subsequent distribution to the registered owners as shown on the Trustee's books as of the fifteenth day of the calendar month immediately preceding each interest payment date. See "THE BONDS - Book-Entry Only System" and "- General Provisions" herein.

*The Bonds are subject to redemption prior to maturity as described herein.*

**The Bonds may not be appropriate investments for certain individuals. See "SPECIAL RISK FACTORS" herein for a discussion of the risk factors that should be considered in evaluating the investment quality of the Bonds.**

The payment of the principal of and interest on the Series A Bonds when due will be insured by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation simultaneously with the delivery of the Series A Bonds. **The Series B Bonds are neither insured nor rated.**

**Ambac**

THE BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM AND SECURED SOLELY BY THE REVENUES AND SUBORDINATED REVENUES, AS APPLICABLE, AND FUNDS PLEDGED THEREFOR IN THE INDENTURE. THE BONDS ARE NOT A DEBT OR LIABILITY OF THE CITY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISIONS THEREOF OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT DESCRIBED HEREIN, AND NEITHER THE FAITH AND CREDIT OF THE AUTHORITY, THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS ARE PLEDGED TO THE PAYMENT OF PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS AND NEITHER THE AUTHORITY (EXCEPT TO THE LIMITED EXTENT DESCRIBED HEREIN), THE CITY, THE STATE NOR ANY OF ITS POLITICAL SUBDIVISIONS IS LIABLE THEREFOR, NOR IN ANY EVENT SHALL THE BONDS OR ANY INTEREST OR REDEMPTION PREMIUM THEREUNDER 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 OBLIGATION TO MAKE PAYMENTS UNDER THE CFD BONDS CONSTITUTE AN INDEBTEDNESS OF THE AUTHORITY, THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. THE AUTHORITY HAS NO TAXING POWER.

**Maturity Schedule**  
**(see inside cover)**

The Bonds will be offered when, as and if issued and received by the Underwriter, subject to the approval as to their legality by Jones Hall, A Professional Corporation, San Francisco, California, as Bond Counsel. Certain legal matters will be passed upon for the Authority by the City Attorney. Jones Hall, A Professional Law Corporation, San Francisco, California, is also serving as Disclosure Counsel. It is anticipated that the Bonds in definitive form will be available for delivery to DTC in New York, New York on or about April 5, 2006.

**PiperJaffray**

Dated: March 23, 2006.

## MATURITY SCHEDULE

### 2006 Series A (Senior Lien Bonds) (Insured) (Base CUSIP: †777813)

<u>Maturity (Sept. 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP †</u>	<u>Maturity (Sept. 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP †</u>
2006	\$1,045,000	3.250%	3.250%	AA 4	2015	\$1,600,000	3.850%	3.920%	AK 2
2007	1,185,000	3.300	3.300	AB 2	2016	1,660,000	5.000	3.980	AL 0
2008	1,225,000	3.250	3.400	AC 0	2017	1,745,000	4.000	4.050	AM 8
2009	1,270,000	3.375	3.450	AD 8	2018	1,815,000	4.000	4.150	AN 6
2010	1,310,000	4.000	3.500	AE 6	2019	1,885,000	4.000	4.230	AP 1
2011	1,360,000	3.500	3.600	AF 3	2020	1,965,000	4.125	4.320	AQ 9
2012	1,410,000	4.000	3.650	AG 1	2021	2,040,000	4.200	4.380	AR 7
2013	1,470,000	3.625	3.750	AH 9	2022	2,130,000	4.250	4.450	AS 5
2014	1,520,000	5.000	3.850	AJ 5					

\$6,990,000 5.000% Series A Term Bonds due September 1, 2025; Price: 104.962%<sup>c</sup>; CUSIP† No. 777813 AV 8  
<sup>c</sup> – Priced to call at par on September 1, 2016

\$2,245,000 4.500% Series A Term Bonds due September 12027; Price: 98.509%; CUSIP† No. 777813 AW 6

### Series 2006 Series B (Junior Lien Bonds) (Uninsured) (Base CUSIP: †777813)

<u>Maturity (September 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP †</u>	<u>Maturity (September 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP †</u>
2006	\$230,000	3.600%	3.600%	AX 4	2015	\$200,000	4.500%	4.600%	BG 0
2007	145,000	3.700	3.700	AY 2	2016	205,000	4.500	4.650	BH 8
2008	145,000	3.800	3.800	AZ 9	2017	225,000	4.600	4.700	BJ 4
2009	150,000	3.900	3.900	BA 3	2018	230,000	4.625	4.750	BK 1
2010	170,000	4.000	4.050	BB 1	2019	240,000	4.700	4.800	BL 9
2011	180,000	4.100	4.200	BC 9	2020	245,000	4.750	4.850	BM 7
2012	180,000	4.250	4.350	BD 7	2021	265,000	4.750	4.900	BN 5
2013	185,000	4.375	4.450	BE 5	2022	280,000	4.850	4.950	BP 0
2014	190,000	4.375	4.550	BF 2					

\$1,180,000.00 5.000% Series B Term Bonds due September 1, 2027; Price: 99.604%; CUSIP† No. 777813 BR 6

† Copyright 2006. American Bankers Association. CUSIP data herein is provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc.

# ROSEVILLE FINANCING AUTHORITY

## City of Roseville City Council and Authority Officers

Gina Garbolino, *Mayor/Chairperson of the Authority*  
F.C. "Rocky" Rockholm, *Vice Mayor/Vice-Chairperson of the Authority*  
Richard Roccucci, *Councilmember/Boardmember*  
Jim Gray, *Councilmember/Boardmember*  
John Allard, *Councilmember/Boardmember*

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## City Staff

W. Craig Robinson, *City Manager*  
Russell Cochran Branson, *Administrative Services Director/Treasurer*  
Mark Doane, Esq., *City Attorney*  
Sonia Orozco, *City Clerk*

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## Special Services

### Bond Counsel

Jones Hall, A Professional Law Corporation  
*San Francisco, California*

### Fiscal Agent

The Bank of New York Trust Company, N.A.  
*San Francisco, California*

### Financial Advisor

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

### Verification Agent

The Arbitrage Group  
*Tuscaloosa, Alabama*

## GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

**No Offering May Be Made Except by this Official Statement.** No dealer, broker, salesperson or other person has been authorized by the Authority, the City or the Underwriter to give any information or to make any representations with respect to the Bonds or the CFD Bonds other than as contained in this Official Statement, and if given or made, such other information or representation must not be relied upon as having been authorized by the Authority, the City or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

**Effective Date.** This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds will, under any circumstances, create any implication that there has been no change in the affairs of the Authority, the City's, the Districts, any other parties described in this Official Statement, or in the condition of property within the Districts since the date of this Official Statement.

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

**Preparation of this Official Statement.** The information contained in this Official Statement has been obtained from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness. The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

**Document References and Summaries.** All references to and summaries of the Indenture or other documents contained in this Official Statement are subject to the provisions of those documents and do not purport to be complete statements of those documents.

**Stabilization of and Changes to Offering Prices.** The Underwriter may over allot or take other steps that stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. If commenced, the Underwriter may discontinue such market stabilization at any time. The Underwriter may offer and sell the Bonds to certain dealers, dealer banks and banks acting as agent at prices lower than the public offering prices stated on the cover page of this Official Statement, and those public offering prices may be changed from time to time by the Underwriter.

**Bonds are Exempt from Securities Laws Registration.** The issuance and sale of the Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exemptions for the issuance and sale of municipal securities provided under Section 3(a)(2) of the Securities Act of 1933 and Section 3(a)(12) of the Securities Exchange Act of 1934.

**Estimates and Projections.** Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE AUTHORITY AND THE CITY DO NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ANY EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

SECURITIES PRODUCTS AND SERVICES ARE OFFERED THROUGH PIPER JAFFRAY & CO., MEMBER SIPC AND NYSE, INC.

**PIPER JAFFRAY & CO. SINCE 1895. MEMBER SIPC AND NYSE.**

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## ROSEVILLE FINANCE AUTHORITY

**\$35,870,000**  
**REVENUE BONDS**  
**2006 SERIES A**  
**(SENIOR LIEN BONDS)**

**\$4,645,000**  
**REVENUE BONDS**  
**2006 SERIES B**  
**(JUNIOR LINE BONDS)**

The purpose of this Official Statement, which includes the cover page and Appendices hereto (the “**Official Statement**”), is to provide certain information concerning the sale and issuance of the following series of bonds (collectively, the “**Bonds**”):

**Series A Bonds:** Roseville Finance Authority Revenue Bonds, 2006 Series A (Senior Lien Bonds); and

**Series B Bonds:** Roseville Finance Authority Revenue Bonds, 2006 Series B (Junior Lien Bonds).

### INTRODUCTION

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

#### Financing Purpose

**Purpose of the Bonds.** The Bonds are being issued by the Roseville Finance Authority (the “**Authority**”) for the following purposes (see “THE FINANCING PLAN” herein):

- (i) to acquire the “**CFD Bonds**” described below,
- (ii) to finance the acquisition and construction of certain public capital improvements,
- (iii) to provide a portion of the funding of a separate reserve funds for the Series A Bonds and the Series B Bonds (the “**Reserve Funds**”), and
- (iv) to pay a portion of the costs of issuance of the Bonds and CFD Bonds.

**Purpose of the CFD Bonds.** The net proceeds of the CFD Bonds, along with other available funds, will be used as follows (see “FINANCING PLAN” herein):

- (i) to redeem the “**Prior Bonds**” (described below) on the date of issuance of the Bonds,
- (ii) to finance the acquisition and construction of certain capital improvements,
- (iii) to provide a portion of the funding of a separate reserve funds for the Series A Bonds and the Series B Bonds, and
- (iv) to pay a portion of the costs of issuance of the Bonds and CFD Bonds.

### **The Bonds; The CFD Bonds**

**Series A Bonds.** The Series A Bonds are payable from revenues (“**Revenues**”) as defined more completely below received by the Authority as the result of the payment of debt service on the CFD Bonds.

**Series B Bonds.** The Series B Bonds are payable from “**Subordinated Revenues**”, as defined more completely below, generally consisting of Revenues remaining after payment of debt service on the Series A Bonds and replenishment of the Series A Reserve Fund, if necessary.

**CFD Bonds.** The “**CFD Bonds**” (also referred to herein as the “**Local Obligations**”) consist of the following:

**Highland Reserve North CFD Bonds:** \$33,120,000 City of Roseville Highland Reserve North Community Facilities District No. 1 Special Tax Bonds, Series 2006 (the “**Highland Reserve North CFD Bonds**”) issued to refund the outstanding “**Prior Highland Reserve North Bonds**”, as defined herein, consisting of a prior series of special tax bonds issued by the City on behalf of the City’s Highland Reserve North Community Facilities District No. 1 (“**Highland Reserve North CFD**”), and to finance certain capital improvements in Highland Reserve North CFD. See “FINANCING PLAN” herein. The Highland Reserve North CFD Bonds are payable from Special Taxes levied on taxable property in Highland Reserve North CFD. See “HIGHLAND RESERVE NORTH CFD” herein.

**Woodcreek East CFD Bonds:** \$6,245,000 City of Roseville Woodcreek East Community Facilities District No. 1 Special Tax Bonds, Series 2006 (the “**Woodcreek East CFD Bonds**”) issued to refund the outstanding “**Prior Woodcreek East CFD Bonds**”, as described herein, consisting generally of a prior series of special tax bonds issued by the City on behalf of the City’s Woodcreek East Community Facilities District No. 1 (“**Woodcreek East CFD**”), and to finance certain capital improvements in Woodcreek East CFD. See “FINANCING PLAN” herein. The Woodcreek East CFD Bonds are payable from Special Taxes levied on taxable property in Woodcreek East CFD. See “WOODCREEK EAST CFD” herein.

Highland Reserve North CFD and Woodcreek East CFD are collectively referred to in this Official Statement as the “**CFDs**”.

The Prior Highland Reserve North Bonds and the Prior Woodcreek East CFD Bonds are collectively referred to in this Official Statement as the “**Prior Bonds**”.

## Legal Authority

**The Bonds.** The Bonds are being issued under Article 4 of the Joint Powers Act (the “Act”) and an Indenture of Trust dated as of April 1, 2006 (the “Indenture”), by and between the Authority and The Bank of New York Trust Company, N.A., as trustee (the “Trustee”).

**The CFD Bonds.** The CFD Bonds are being issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, Part 1, Division 2, Title 5 of the Government Code of the State of California (the “Mello-Roos Act”), and two separate Bond Indentures, both dated as of April 1, 2006 (both, a “CFD Indenture”), by and between the City and The Bank of New York Trust Company, N.A., as trustee.

## Sources of Payment for the Bonds and the CFD Bonds

**Series A Bonds.** The Series A Bonds are secured by a first lien on and pledge of all of the Revenues. “Revenues” are defined in the Indenture to include:

- (a) all amounts received from the Local Obligations;
- (b) any proceeds of the Series A Bonds originally deposited with the Trustee and all moneys deposited and held from time to time by the Trustee in the funds and accounts established hereunder with respect to the Series A Bonds (other than the Rebate Fund and the Surplus Fund); and
- (c) investment income with respect to any moneys held by the Trustee in the funds and accounts established hereunder with respect to the Series A Bonds (other than investment income on moneys held in the Rebate Fund and the Surplus Fund).

**Series B Bonds.** The Series B Bonds are secured by a first lien on and pledge of all of the Subordinated Revenues. “Subordinated Revenues” are defined in the Indenture to include:

- (a) any proceeds of the Series B Bonds originally deposited with the Trustee,
- (b) all amounts remaining in the Revenue Fund on each September 1 after payment of debt service on the Series A Bonds and payment of the amounts necessary to replenish the Series A Reserve Fund,
- (c) all moneys deposited and held from time to time by the Trustee in the funds and accounts established hereunder with respect to the Series B Bonds (other than the Rebate Fund and the Surplus Fund); and
- (d) investment income with respect to any moneys held by the Trustee in the funds and accounts established hereunder with respect to the Series B Bonds (other than investment income on moneys held in the Rebate Fund and the Surplus Fund).

See “SECURITY FOR THE BONDS – Revenues; Flow of Funds” herein.

**CFD Bonds.** The CFD Bonds will be payable from Special Tax Revenues collected in the applicable CFD as a result of the levy of Special Taxes. “Special Tax Revenues” means the proceeds of the Special Taxes received by the City, including all scheduled payments and delinquent payments thereof, interest and penalties thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes.

***The CFD Bonds are not cross-collateralized. In other words, annual Special Taxes from one CFD cannot be used to cover any shortfall in the payment of debt service on the other CFD Bonds.***

## **Description of the Bonds**

***Payments.*** Interest is payable on September 1, 2006, and semiannually thereafter on September 1 and March 1 each year. Principal of and premium, if any, on the Bonds shall be payable by the Trustee. See “THE BONDS - General Provisions” and “- Book-Entry Only System” herein.

***Denominations.*** The Bonds will be issued in denominations of \$5,000 each or integral multiples thereof.

***Redemption.*** The Bonds are subject to redemption prior to their maturity. See “THE BONDS - Redemption” herein.

***Registration, transfers and exchanges.*** The Bonds will be issued as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (“**DTC**”), and will be available to actual purchasers of the Bonds (the “**Beneficial Owners**”) under the book-entry system maintained by DTC. See “THE BONDS – Payment, Registration, Transfer and Exchange of Bonds” and “Book-Entry Only System.”

## **The City**

The City of Roseville (the “**City**”) is located in Placer County (the “**County**”). The City was incorporated on April 10, 1909 and is a charter city a charter city and public body, corporate and politic, organized and existing under and by virtue of the Constitution and laws of the State of California (the “**State**”). See “APPENDIX D – General Information About the City of Roseville and Placer County” attached hereto.

## **The Authority**

The Authority is a joint exercise of powers authority organized and existing pursuant to Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California.

## **Professionals Involved in the Offering**

All proceedings in connection with the issuance of the Bonds are subject to the approval of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. The Bank of New York Trust Company, N.A., San Francisco, California, will act as the Trustee. Public Financial Management, Inc., San Francisco, California, is acting as financial advisor to the Authority. Jones Hall, A Professional Law Corporation is also acting as Disclosure Counsel. The Arbitrage Group, Tuscaloosa, Alabama, will provide escrow verification services.

*Jones Hall and Public Financial Management will receive compensation as Bond and Disclosure Counsel, and Financial Advisor, respectively, contingent upon issuance of the Bonds.*

## Continuing Disclosure

The City, on behalf of itself and the Authority, has covenanted for the benefit of holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the Authority and the City by not later than 9 months following the end of its fiscal year (which currently would be by March 31 each year based upon the June 30 end of their fiscal years), commencing by March 31, 2007 with the report for the 2005-06 Fiscal Year (the "**Annual Report**"), and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed by the City with each Nationally Recognized Municipal Securities Information Repository, and with the appropriate State information repository, if any. The notices of material events will be filed by the City with the Municipal Securities Rulemaking Board (and with the appropriate State information repository, if any). The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth in "APPENDIX F - Form of Continuing Disclosure Certificate." These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5) (the "**Rule**").

The City and the Authority have had no instance in the previous five years in which it failed to comply in all material respects with any previous continuing disclosure obligation under the Rule.

## FINANCING PLAN

### Purpose of Issue and the Refunding Plan

**Acquisition of the CFD Bonds.** Proceeds of the Bonds will be used by the Authority (i) to purchase the CFD Bonds, (ii) to finance the acquisition and construction of certain public capital improvements (the "**Project**"), (iii) to establish a separate reserve fund for each series of the Bonds, and (iv) to pay costs of issuance of the Bonds and the CFD Bonds.

The principal amount of the CFD Bonds is less than the principal amount of the Bonds, however the annual revenues generated from the CFD Bonds is sufficient to pay the annual debt service on the Bonds. A prepayment of Special Taxes in certain years could result in a shortfall of revenues from the corresponding CFD Bond redemption to redeem an allocable amount of Bonds, however, under the Special Tax Formulas for the CFDs, only a limited number of properties are eligible to prepay the special tax obligation allocable to their property and the City and the Authority, in considering such limitation, have determined that the reduction in the amount required to be on deposit in the reserve funds as a result of such prepayment will be sufficient to provide the amount of any shortfall needed to redeem the Bonds in connection with a redemption of CFD Bonds from property owner prepayments. The projected maximum amount of Bonds that can be redeemed from eligible property owner prepayments is approximately \$8,200,000.

**Refunding of the Prior Bonds.** Certain proceeds of the CFD Bonds, along with other available moneys, will be used to refund the Prior Bonds. The "**Prior Bonds**" consist of the following bonds:

(i) \$33,470,000 original principal amount of City of Roseville Highland Reserve North Community Facilities District No. 1 Special Tax Bonds, Series 1999 (the "**Prior Highland Reserve North Bonds**") currently outstanding in the principal amount of \$28,700,000;

- (ii) \$5,465,000 City of Roseville Woodcreek East Community Facilities District No. 1 Special Tax Bonds, Series 2000 (the “**Prior Woodcreek East CFD Bonds**”) currently outstanding in the principal amount of \$5,060,000.

On the date of issuance of the CFD Bonds, a portion of the proceeds will be transferred to The Bank of New York, N.A., as the Escrow Agent (the “**Escrow Agent**”) for each respective series of Prior Bonds for deposit into a separate respective Escrow Fund established under a separate Escrow Agreement for each respective series of Prior Bonds, dated as of April 1, 2006 by and between the City and the Escrow Agent. The amount deposited under each Escrow Agreement, together with other available moneys, will be invested in Federal Securities and irrevocably pledged for the payment of the principal of and interest on the respective Prior Bonds (i) as to the Highland Reserve North Bonds on September 1, 2009 at a redemption price equal to 102% of the principal amount to be redeemed, together with accrued interest to the redemption date, and (ii) as to the Woodcreek East CFD Bonds on September 1, 2010 at a redemption price equal to 102% of the principal amount to be redeemed, together with accrued interest to the redemption date.

The amounts held and invested by the Escrow Agent for the Prior Bonds in the Escrow Funds are pledged solely to the payment of amounts due and payable by the City under the respective Prior Bonds. Neither the funds deposited in the Escrow Funds for the Prior Bonds nor the interest on the invested funds will be available for the payment of debt service on the CFD Bonds or the Bonds.

See “Estimated Sources and Uses of Funds” below. See also “MISCELLANEOUS – Verification of Mathematical Accuracy” below.

**Acquisition and Construction of Capital Improvements.** The City is authorized to issue bonds payable from Special Taxes in the Highland Reserve North CFD in the aggregate principal amount of not-to-exceed \$35,000,000. It has previously issued the Prior Bonds in the aggregate principal amount of \$33,470,000, leaving a remaining bonding capacity of \$1,530,000. As part of the financing, the City is now issuing additional bonds secured by special taxes levied in the Highland Reserve North CFD in an amount not to exceed the remaining authorized principal amount for the purpose of financing additional facilities authorized in the Highland Reserve North CFD. A portion of the proceeds of the Bonds and the Highland Reserve North CFD Bonds, together with certain funds available in connection with the Prior Bonds, will be deposited in the Project Fund established and administered pursuant to the Indenture for the purpose of financing public capital improvements of benefit to the CFDs. See “APPENDIX A – Summary of Principal Legal Documents – Indenture of Trust Relating to the Bonds” herein for a description of the Project Fund.

**Obligation for Previously Acquired Improvements.** A portion of the proceeds of the Woodcreek East CFD Bonds in the approximate amount of \$700,000 will be used to provide money to satisfy obligations of the City incurred on behalf of the Woodcreek East CFD to the original developers of property in the District for authorized improvements acquired by the City. Such improvements which were scheduled to be paid from future Special Taxes collected by the City as a “pay-as-you-go” component of the Special Tax for the Woodcreek East CFD. These obligations were repayable with interest over a multi-year term and will be refinanced with proceeds of the Bonds so as to achieve interest cost savings on the Woodcreek East CFD obligation.

## Estimated Sources and Uses of Funds

**The Bonds.** The anticipated sources and uses of funds relating to the Bonds are as follows:

<u>Sources:</u>	<u>Series A Bonds</u>	<u>Series B Bonds</u>
Principal Amount of the Bonds	\$35,870,000.00	\$4,645,000.00
Plus: Original Issue Premium	<u>391,260.55</u>	<u>-0-</u>
Less: Original Issue Discount		<u>(31,087.75)</u>
<b>Total Sources</b>	<b>\$36,261,260.55</b>	<b>\$4,613,912.25</b>
<u>Uses:</u>		
Deposit to HRN Purchase Fund <sup>(1)</sup>	\$30,223,755.07	\$2,896,244.93
Deposit to WCE Purchase Fund <sup>(1)</sup>	5,231,054.20	1,013,945.80
Deposit to Project Fund <sup>(2)</sup>	-0-	533,772.43
Deposit to Series A Reserve Fund	-0-	-0-
Deposit to Series B Reserve Fund	-0-	85,853.57
Costs of Issuance (portion) <sup>(3)</sup>	<u>806,451.28</u>	<u>84,095.52</u>
<b>Total Uses</b>	<b>\$36,261,260.55</b>	<b>\$4,613,912.25</b>

(1) Proceeds deposited in the Purchase Fund will be used to acquire the CFD Bonds.

(2) Represents a portion of amounts deposited into various accounts in the Project Fund held by the Trustee.

(3) Costs of issuance include Trustee fees, Bond Counsel fees, Underwriter's discount, printing costs, rating agency fees, the financial guaranty insurance premium for the Series A Bonds, and other related costs. The Series A Bonds and the Series B Bonds are funding a portion of the costs of issuance; the CFD Bonds are funding the remainder.

**CFD Bonds.** The anticipated sources and uses of funds relating to the CFD Bonds are as follows:

<u>Sources:</u>	<u>Highland Reserve North CFD</u>	<u>Woodcreek East CFD</u>
Principal Amount of CFD Bonds	\$33,120,000.00	\$6,245,000.00
Plus: Available Funds from Prior Bonds	<u>2,598,361.12</u>	<u>441,267.11</u>
<b>Total Sources</b>	<b>\$35,718,361.12</b>	<b>\$6,686,267.11</b>
<u>Uses:</u>		
Deposit to Escrow Account	\$30,835,855.95	\$5,519,073.14
Costs of Issuance (portion) <sup>(1)</sup>	699,214.42	135,462.47
Deposit to Series A Reserve Fund	1,710,707.78	565,509.26
Deposit to Series B Reserve Fund	2,281,838.72	396,046.27
Deposit to Project Fund <sup>(2)</sup>	<u>190,744.25</u>	<u>70,175.97</u>
<b>Total Uses</b>	<b>\$35,718,361.12</b>	<b>\$6,686,267.11</b>

(1) Costs of issuance include Trustee fees, Bond Counsel fees, Underwriter's discount, printing costs, rating agency fees, the financial guaranty insurance premium for the Series A Bonds, a the premium for the reserve fund surety bond to be credited to the Series A Reserve Fund, and other related costs. The Series A Bonds and the Series B Bonds are funding a portion of the costs of issuance; the CFD Bonds are funding the remainder.

(2) Represents amounts relating to the Prior Highland Reserve North Bonds, proceeds of the Woodcreek East CFD Bonds and amounts relating to the Prior Woodcreek East CFD Bonds deposited into various accounts in the Project Fund held by the Trustee.

(3) Costs of issuance include Trustee fees, Bond Counsel fees, Underwriter's discount, printing costs, rating agency fees, the financial guaranty insurance premium for the Series A Bonds, and other related costs. The Series A Bonds and the Series B Bonds are funding a portion of the costs of issuance; the CFD Bonds are funding the remainder.

## THE BONDS

### General Provisions

The Bonds (including the Series A Bonds and the Series B Bonds) will be dated their date of delivery, and will be issued in the aggregate principal amounts set forth on the cover hereof. The Bonds will bear interest from their dated date at the rates per annum set forth on the cover page hereof, payable semiannually on each March 1 and September 1, commencing September 1, 2006 (each, an “**Interest Payment Date**”), and will mature in the amounts and on the dates set forth on the inside cover page hereof. The Bonds will be issued in fully registered form in denominations of \$5,000 each or any integral multiple thereof.

Interest on the Bonds will be payable on each Interest Payment Date to the person whose name appears on the Bond Register as the Owner as of the Record Date immediately preceding each Interest Payment Date. Interest will be paid by check of the Trustee mailed on the Interest Payment Date by first class mail, postage prepaid, to the Owner at the address as it appears on the Bond Register or by wire transfer to an account in the continental United States of America upon instructions of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds provided to the Trustee in writing at least five Business Days before the Record Date for such Interest Payment Date.

Principal of and premium (if any) on any Bond will be paid upon presentation and surrender thereof, at maturity or the prior redemption thereof, at the Trust Office of the Trustee.

Each Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (a) it is authenticated after a Record Date (the 15<sup>th</sup> calendar day of the month preceding an Interest Payment Date, whether or not it is a Business Day) and on or before the following Interest Payment Date, in which event it will bear interest from such Interest Payment Date; or (b) it is authenticated on or before August 15, 2006, in which event it will bear interest from the Bond Date; provided, however, that if, as of the date of authentication of any Bond, interest thereon is in default, such Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon, or from the Bond Date if no interest has been paid or made available for payment.

### Redemption

***Optional Redemption.*** Series A Bonds. The Series A Bonds maturing on or before September 1, 2016 are not subject to optional call and redemption prior to maturity. The Series A Bonds maturing on or after September 1, 2017 may be redeemed at the option of the Authority, from any source of available funds, prior to maturity on any date on or after September 1, 2016 as a whole, or in part from maturities corresponding proportionately to the maturities of the CFD Bonds simultaneously redeemed, if any redemption of CFD Bonds is being accomplished in conjunction with such optional redemption, and otherwise from such maturities as are selected by the Authority, by lot within a maturity, at a redemption price equal to the principal amount of the Series A Bonds to be redeemed, together with accrued interest thereon to the date of redemption, without premium.

Series B Bonds. The Series B Bonds may be redeemed at the option of the Authority, from any source of available funds (excluding from proceeds of early redemption of CFD Bonds from prepayment of Special Taxes within a CFD in connection with CFD Bonds) prior to maturity on any date on or after September 1, 2006 as a whole, or in part from maturities corresponding proportionately to the maturities of the CFD Bonds simultaneously redeemed, if any redemption

of CFD Bonds is being accomplished in conjunction with such optional redemption, and otherwise from such maturities as are selected by the Authority, by lot within a maturity, at a redemption price equal to the principal amount of the Series B Bonds to be redeemed, together with accrued interest thereon to the date of redemption, plus a premium expressed below as a percentage of the principal amount so redeemed, plus accrued interest to the date of redemption thereof:

<u>Redemption Date</u>	<u>Redemption Price</u>
September 1 2006 through March 1, 2014	103%
September 1 2014 through March 1, 2015	102
September 1 2015 through March 1, 2016	101
September 1, 2016 and thereafter	100

**Special Redemption of Series A Bonds.** The Series A Bonds are subject to special redemption on any date from proceeds of early redemption of CFD Bonds from prepayment of Special Taxes within a CFD in connection with CFD Bonds, in whole or in part, from maturities corresponding proportionately to the maturities of the CFD Bonds simultaneously redeemed, at the corresponding principal amount thereof, plus a premium expressed below as a percentage of the principal amount so redeemed, plus accrued interest to the date of redemption thereof:

<u>Redemption Date</u>	<u>Redemption Price</u>
September 1, 2006 through March 1, 2016	103%
September 1, 2016 and thereafter	100

A prepayment of Special Taxes in certain years could result in a shortfall of revenues from the corresponding CFD Bond redemption to redeem an allocable amount of Bonds, however the City and the Authority have determined that the reduction in the amount required to be on deposit in the reserve funds as a result of such prepayment will be sufficient to provide the amount of any shortfall needed to redeem the Bonds in connection with a redemption of CFD Bonds from property owner prepayments. See "FINANCING PLAN" above.

The Authority shall (i) advise the Bond Insurer in writing as to which Series A Bonds are to be redeemed with the proceeds to be received with respect to such CFD Bonds (which shall be determined in the discretion of the Authority so long as the ability to pay debt service on the Bonds will not be adversely impacted), and (ii) deliver to the Trustee and the Bond Insurer a certificate of an Independent Accountant verifying that, following such optional prepayment of the CFD Bonds and redemption of Bonds, the principal and interest generated from the remaining CFD Bonds is adequate to make the timely payment of principal and interest due on the Bonds that will remain Outstanding following such redemption.

**Mandatory Sinking Fund Redemption.** The Series A Bonds maturing on September 1, 2025 and September 1, 2027 (collectively, the “**Series A Term Bonds**”) are subject to mandatory sinking fund redemption prior to maturity in accordance with the tables set forth below, from sinking fund payments at a redemption price equal to the principal amount of Series A Bonds to be redeemed, together with accrued interest to the date of redemption, without premium, as follows:

**Series A September 1, 2025 Term Bond**

<b><u>Redemption Date (September 1)</u></b>	<b><u>Redemption Amount</u></b>
2023	\$2,220,000
2024	2,325,000
2025	2,445,000

**Series A September 1, 2027 Term Bond**

<b><u>Redemption Date (September 1)</u></b>	<b><u>Redemption Amount</u></b>
2026	\$1,100,000
2027 (maturity)	1,145,000

The Series B Bonds maturing on September 1, 2027 (the “**Series B Term Bonds**”) are subject to mandatory sinking fund redemption prior to their respective dates of maturity in accordance with the tables set forth below, from sinking fund payments at a redemption price equal to the principal amount of Series B Bonds to be redeemed, together with accrued interest to the date of redemption, without premium, as follows:

**Series B September 1, 2027 Term Bond**

<b><u>Redemption Date (September 1)</u></b>	<b><u>Redemption Amount</u></b>
2023	\$290,000
2024	310,000
2025	320,000
2026	125,000
2027 (maturity)	135,000

In the event that the Series A Term Bonds or the Series B Term Bonds are redeemed pursuant to the optional or special redemption provisions set forth above, the sinking fund payments for the applicable Bonds shall be reduced as nearly as practicable on a proportionate basis in integral multiples of \$5,000.

**Notice of Redemption.** The Trustee is required to mail (by first class mail, postage prepaid) notice of any redemption to the Bond Insurer and the respective Owners of any Bonds designated for redemption at their respective addresses appearing on the Bond Register, and to the Securities Depositories and to the Information Services, at least thirty (30) but not more than sixty (60) days prior to the date fixed for redemption. Neither failure to receive any such notice so mailed nor any defect therein will affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon. The notice will state the date of the notice, the redemption date, the redemption place and the redemption price and will designate the CUSIP numbers, the Bond numbers and the maturity or maturities (in the event of redemption of all of the Bonds of such maturity or maturities in whole) of the Bonds to be redeemed, and will require that such Bonds be then surrendered at the Trust Office of the

Trustee for redemption at the redemption price, giving notice also that further interest on such Bonds will not accrue after the redemption date. Any such redemption notice may specify that redemption on the specified date will be subject to receipt by the Authority of moneys sufficient to cause such redemption (and shall specify the proposed source of such moneys), and neither the Authority nor the Trustee shall have any liability to the Owners or any other party as a result of its failure to redeem the Bonds as a result of insufficient moneys.

**Selection of Bonds of a Maturity for Redemption.** Unless otherwise provided in the Indenture, whenever provision is made for the redemption of less than all of the Bonds of a maturity of a Series of the Bonds, the Trustee will 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 deems appropriate and fair. For purposes of such selection, all Bonds will be deemed to be comprised of separate \$5,000 authorized denominations, and such separate authorized denominations will be treated as separate Bonds which may be separately redeemed.

**Partial Redemption of Bonds.** In the event only a portion of any Bond is called for redemption, then upon surrender of such Bond the Authority will execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Bond or Bonds of the same maturity date, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond to be redeemed.

**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 so called will cease to be entitled to any benefit under the Indenture other than the right to receive payment of the redemption price, and no interest will accrue thereon from and after the redemption date specified in such notice.

## **Payment, Registration, Transfer and Exchange of Bonds**

**Book-Entry Only System.** The Bonds will be issued as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (“DTC”), and will be available to actual purchasers of the Bonds (the “Beneficial Owners”) in the denominations set forth above, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants (as defined herein) as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. See “THE BONDS – Book-Entry Only System.” In the event that the book-entry-only system is no longer used with respect to the Bonds, the Bonds will be registered and transferred in accordance with the Indenture. See “THE BONDS – Book-Entry Only System – Discontinuance of DTC Service.”

**Transfer of Bonds.** Subject to the book-entry only provisions of the Indenture, any Bond may in accordance with its terms, be transferred, upon the Bond Register maintained by the Trustee, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer in a form approved by the Trustee, duly executed. Whenever any Bond is surrendered for transfer, the Authority will execute and the Trustee will authenticate and deliver to the transferee a new Bond or Bonds of like Series, tenor, maturity and aggregate principal amount. No Bonds selected for redemption will be subject to transfer during the fifteen days prior to the selection of Bonds for redemption.

The cost of printing any Bonds and any services rendered or any expenses incurred by the Trustee in connection with any transfer or exchange will be paid by the Authority. However, the Owners of the Bonds will be required to pay any tax or other governmental charge required to be paid for any exchange or registration of transfer and the Owners of the Bonds will be required to pay the reasonable fees and expenses of the Trustee and Authority in connection with the replacement of any mutilated, lost or stolen Bonds.

**Exchange of Bonds.** Subject to the book-entry only provisions of the Indenture, bonds may be exchanged at the Trust Office of the Trustee for Bonds of the same Series, tenor and maturity and of other authorized denominations. No Bonds selected for redemption will be subject to exchange during the fifteen days prior to the selection of Bonds for redemption. The Owners of the Bonds shall be required to pay any tax or other governmental charge required to be paid for any exchange and the Owners of the Bonds shall be required to pay the reasonable fees and expenses of the Trustee and Authority in connection with the exchange of any Bonds.

**Bond Register.** The Trustee will keep or cause to be kept at its Trust sufficient records for the registration and transfer of the Bonds, which will be the Bond Register and shall at all times during regular business hours be open to inspection by the Authority upon reasonable notice; and, upon presentation for such purpose, the Trustee will, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said records, Bonds as hereinbefore provided.

### **Book-Entry Only System**

While the Bonds are subject to the book-entry system, the principal, interest and any redemption premium with respect to a Bond will be paid by the Trustee to The Depository Trust Company, New York, New York ("**DTC**"), which in turn is obligated to remit such payment to its DTC Participants for subsequent disbursement to Beneficial Owners of the Bonds, as described in "APPENDIX G — DTC and the Book-Entry-Only System" herein.

## Estimated Debt Service Schedules: Series A Bonds, Series B Bonds and CFD Bonds

The following table presents the debt service schedule for the Series A Bonds and the Series B Bonds, assuming no optional or special redemptions are made:

### ROSEVILLE FINANCING AUTHORITY Annual Debt Service Schedule for the Bonds

Year Ending Sept. 1	Series A Principal	Series A Interest	Series A Total	Series B Principal	Series B Interest	Series B Total	Series A and Series B Total
2006	\$1,045,000	\$613,044.37	\$,658,044.37	\$230,000	\$85,385.17	\$315,385.17	\$1,973,429.54
2007	1,185,000	1,477,653.76	2,662,653.76	145,000	202,258.76	347,258.76	3,009,912.52
2008	1,225,000	1,438,548.76	2,663,548.76	145,000	196,893.76	341,893.76	3,005,442.52
2009	1,270,000	1,398,736.26	2,668,736.26	150,000	191,383.76	341,383.76	3,010,120.02
2010	1,310,000	1,355,873.76	2,665,873.76	170,000	185,533.76	355,533.76	3,021,407.52
2011	1,360,000	1,303,473.76	2,663,473.76	180,000	178,733.76	358,733.76	3,022,207.52
2012	1,410,000	1,255,873.76	2,665,873.76	180,000	171,353.76	351,353.76	3,017,227.52
2013	1,470,000	1,199,473.76	2,669,473.76	185,000	163,703.76	348,703.76	3,018,177.52
2014	1,520,000	1,146,186.26	2,666,186.26	190,000	155,610.02	345,610.02	3,011,796.28
2015	1,600,000	1,070,186.26	2,670,186.26	200,000	147,297.52	347,297.52	3,017,483.78
2016	1,660,000	1,008,586.26	2,668,586.26	205,000	138,297.52	343,297.52	3,011,883.78
2017	1,745,000	925,586.26	2,670,586.26	225,000	129,072.52	354,072.52	3,024,658.78
2018	1,815,000	855,786.26	2,670,786.26	230,000	118,722.52	348,722.52	3,019,508.78
2019	1,885,000	783,186.26	2,668,186.26	240,000	108,085.00	348,085.00	3,016,271.26
2020	1,965,000	707,786.26	2,672,786.26	245,000	96,805.00	341,805.00	3,014,591.26
2021	2,040,000	626,730.00	2,666,730.00	265,000	85,167.50	350,167.50	3,016,897.50
2022	2,130,000	541,050.00	2,671,050.00	280,000	72,580.00	352,580.00	3,023,630.00
2023	2,220,000	450,525.00	2,670,525.00	290,000	59,000.00	349,000.00	3,019,525.00
2024	2,325,000	339,525.00	2,664,525.00	310,000	44,500.00	354,500.00	3,019,025.00
2025	2,445,000	223,275.00	2,668,275.00	320,000	29,000.00	349,000.00	3,017,275.00
2026	1,100,000	101,025.00	1,201,025.00	125,000	13,000.00	138,000.00	1,339,025.00
2027	<u>1,145,000</u>	<u>51,525.00</u>	<u>1,196,525.00</u>	<u>135,000</u>	<u>6,750.00</u>	<u>141,750.00</u>	<u>1,338,275.00</u>
Total	\$35,870,000	\$18,873,637.01	\$54,743,637.01	\$4,645,000	\$2,579,134.09	\$7,224,134.09	\$61,967,771.10

The following table summarizes the anticipated debt service payments to be received by the Authority as the result of its ownership of the CFD Bonds. The following schedule does not include an allowance for delinquencies in the payment of Special Taxes.

**CITY OF ROSEVILLE  
HIGHLAND RESERVE NORTH CFD AND WOODCREEK EAST CFD  
Annual Debt Service Schedule for the CFD Bonds**

<b>Year Ending Sept.1</b>	<b>Highland Reserve North CFD Bonds</b>	<b>Woodcreek East CFD Bonds</b>	<b>Total</b>
2006	\$1,661,732	\$313,811	\$1,975,543
2007	2,547,924	462,440	3,010,363
2008	2,545,311	462,358	3,007,669
2009	2,546,769	465,882	3,012,651
2010	2,550,035	472,814	3,022,849
2011	2,549,932	473,958	3,023,890
2012	2,547,506	471,560	3,019,066
2013	2,548,756	471,768	3,020,523
2014	2,546,418	466,433	3,012,851
2015	2,548,537	469,803	3,018,340
2016	2,548,806	464,434	3,013,240
2017	2,550,181	475,720	3,025,900
2018	2,546,486	473,823	3,020,309
2019	2,545,809	471,334	3,017,144
2020	2,547,888	468,255	3,016,143
2021	2,548,458	470,584	3,019,042
2022	2,550,433	475,026	3,025,459
2023	2,546,593	474,433	3,021,026
2024	2,550,026	471,002	3,021,028
2025	2,547,249	470,832	3,018,081
2026	875,350	465,726	1,341,076
2027	<u>876,000</u>	<u>465,880</u>	<u>1,341,880</u>
Total	\$51,826,198	\$10,177,874	\$62,004,072

**Debt Service Coverage on the CFD Bonds**

The scheduled debt service on the Bonds is approximately equal to the scheduled debt service on the CFD Bonds. The principal amount of the CFD Bonds is less than the principal amount of the Bonds, however the annual revenues generated from the CFD Bonds is sufficient to pay the annual debt service on the Bonds. A prepayment of Special Taxes in certain years could result in a shortfall of revenues from the corresponding CFD Bond redemption to redeem an allocable amount of Bonds, however the City and the Authority have determined that the reduction in the amount required to be on deposit in the reserve funds as a result of such prepayment will be sufficient to provide the amount of any shortfall needed to redeem the Bonds in connection with a redemption of CFD Bonds from property owner prepayments. See "FINANCING PLAN" above.

The following tables summarize the debt service coverage on each of the CFD Bonds provided by maximum Special Taxes.

**CITY OF ROSEVILLE  
HIGHLAND RESERVE NORTH CFD  
Debt Service Coverage on Highland Reserve North CFD Bonds**

<b>Year Ending Sept. 1</b>	<b>Highland Reserve North CFD Maximum Special Tax</b>	<b>Highland Reserve North CFD Bonds Debt Service</b>	<b>Debt Service Coverage</b>
2006	\$2,805,356	\$1,661,732	169%
2007	2,805,356	2,547,924	110
2008	2,805,356	2,545,311	110
2009	2,805,356	2,546,769	110
2010	2,805,356	2,550,035	110
2011	2,805,356	2,549,932	110
2012	2,805,356	2,547,506	110
2013	2,805,356	2,548,756	110
2014	2,805,356	2,546,418	110
2015	2,805,356	2,548,537	110
2016	2,805,356	2,548,806	110
2017	2,805,356	2,550,181	110
2018	2,805,356	2,546,486	110
2019	2,805,356	2,545,809	110
2020	2,805,356	2,547,888	110
2021	2,805,356	2,548,458	110
2022	2,805,356	2,550,433	110
2023	2,805,356	2,546,593	110
2024	2,805,356	2,550,026	110
2025	2,805,356	2,547,249	110
2026	2,805,356	875,350	320
2027	2,805,356	876,000	320

**CITY OF ROSEVILLE  
WOODCREEK EAST CFD  
Debt Service Coverage on Woodcreek East CFD Bonds**

<b><u>Year Ending September 1</u></b>	<b><u>Woodcreek East CFD Maximum Special Tax</u></b>	<b><u>Woodcreek East CFD Bonds Debt Service</u></b>	<b><u>Debt Service Coverage</u></b>
2006	\$584,335	\$313,811	186%
2007	584,335	462,440	126
2008	584,335	462,358	126
2009	584,335	465,882	125
2010	584,335	472,814	124
2011	584,335	473,958	123
2012	584,335	471,560	124
2013	584,335	471,768	124
2014	584,335	466,433	125
2015	584,335	469,803	124
2016	584,335	464,434	126
2017	584,335	475,720	123
2018	584,335	473,823	123
2019	584,335	471,334	124
2020	584,335	468,255	125
2021	584,335	470,584	124
2022	584,335	475,026	123
2023	584,335	474,433	123
2024	584,335	471,002	124
2025	584,335	470,832	124
2026	584,335	465,726	125
2027	584,335	465,880	125

## SECURITY FOR THE BONDS

### General

As described below, the Series A Bonds are payable primarily from Revenues, and the Series B Bonds are payable primarily from Subordinated Revenues, in each case consisting of amounts received by the Authority as the result of its acquisition of the CFD Bonds.

The Bonds are special obligations of the Authority payable solely from and secured solely by the Revenues and the Subordinated Revenues, as applicable, and the funds pledged therefor in the Indenture. The Bonds are not a debt or liability of the City, the State of California or any political subdivisions thereof other than the Authority to the limited extent described herein, and neither the faith and credit of the Authority, the City, the State or any of its political subdivisions are pledged to the payment of principal of, premium, if any, or interest on the Bonds and neither the Authority, the City, the State nor any of its political subdivisions is liable therefor, nor in any event shall the Bonds or any interest or redemption premium thereunder 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 obligation to make payments under the CFD Bonds constitute an indebtedness of the Authority, the City, the State nor any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction. The Authority has no taxing power.

### Revenues and Subordinated Revenues; Flow of Funds

**Series A Bonds; Revenues.** The Series A Bonds are secured by a first lien on and pledge of all of the Revenues. So long as any of the Bonds are Outstanding, the Revenues will not be used for any purpose except as is expressly permitted by the Indenture.

**Series B Bonds; Subordinated Revenues.** The Series B Bonds are secured by a first lien on and pledge of all of the Subordinated Revenues. So long as any of the Bonds are Outstanding, the Subordinated Revenues will not be used for any purpose except as is expressly permitted by the Indenture.

**Collection by the Trustee.** The Trustee will collect and receive all of the Revenues and Subordinated Revenues, and any Revenues and Subordinated Revenues collected or received by the Authority will be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and shall forthwith be paid by the Authority to the Trustee. The Trustee is also entitled to and will take all steps, actions and proceedings reasonably necessary in its judgment 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 the CFD Bonds.

**Deposit of Revenues.** All Revenues derived from the CFD Bonds will be promptly deposited by the Trustee upon receipt thereof in the Revenue Fund. Any Revenues which represent the payment of delinquent principal of or interest on an issue of CFD Bonds will immediately be deposited to the Account of the Series A Reserve Fund for the related CFD Bond to the extent necessary to replenish the amount in such Account to the required balance (or used to reimburse the provider of a Qualified Reserve Fund Credit Instrument, if applicable), with any amount in excess of that needed to replenish such Account to be transferred as provided in the provisions of the Indenture.

***Application of Revenues.*** On each Interest Payment Date and date for redemption of the Series A Bonds, the Trustee shall transfer from the Revenue Fund, and deposit into the following respective accounts for the Series A Bonds, the following amounts 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:

Series A Interest Account. On each Interest Payment Date and redemption date, the Trustee will deposit in the Series A Interest Account an amount required to cause the aggregate amount on deposit in the Series A Interest Account to equal the amount of interest becoming due and payable on such Interest Payment Date on all Outstanding Series A Bonds or to be paid on the Series A Bonds being redeemed on such date. Moneys in the Series A Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying interest on the Series A Bonds as it shall become due and payable (including accrued interest on any Series A Bonds redeemed prior to maturity). In the event that the amounts on deposit in the Series A Interest Account on any Interest Payment Date or redemption date, after any transfers from the Series A Reserve Fund, are insufficient for any reason to pay the aggregate amount of interest then coming due and payable on the Outstanding Series A Bonds, the Trustee will apply such amounts to the payment of interest on each of the Outstanding Series A Bonds on a pro rata basis.

Series A Principal Account. On each Interest Payment Date and redemption date on which the principal of the Series A Bonds are payable, the Trustee will deposit in the Series A Principal Account an amount required to cause the aggregate amount on deposit in the Series A Principal Account to equal the principal amount of, and premium (if any) on, the Series A Bonds coming due and payable on such Interest Payment Date, or required to be redeemed on such date; provided, however, that no amount shall be deposited to effect an optional redemption unless the Trustee has first received a certificate of an Independent Accountant certifying that such deposit to effect an optional redemption of the Series A Bonds will not impair the ability of the Authority to make timely payment of the principal of and interest on the Series B Bonds, assuming for such purposes that the City continues to make timely payments on all CFD Bonds not then in default. All moneys in the Series A Principal Account will be used and withdrawn by the Trustee solely for the purpose of (i) paying the principal of the Series A Bonds at the maturity thereof or (ii) paying the principal of and premium (if any) on any Series A Bonds upon the optional redemption thereof.

Series A Reserve Fund. On each Interest Payment Date on which the balance in the Series A Reserve Fund is less than the Series A Reserve Requirement, after making deposits required into the Series A Interest Account and the Series A Principal Account, the Trustee shall transfer from the Revenue Fund an amount sufficient to increase the balance in the Series A Reserve Fund to the Series A Reserve Requirement by depositing the amount necessary to make the various accounts therein equal, together, the Series A Reserve Requirement, provided the value of the moneys deposited therein, as invested, will be valued at market value on such transfer date for purposes of making such determination.

***Application of Subordinated Revenues.*** On each Interest Payment Date after making the deposits required described above, the Trustee will transfer from the Revenue Fund, and deposit into the following respective accounts, the following amounts 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 Subordinated 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:

**Series B Interest Account.** On each Interest Payment Date, the Trustee will deposit in the Series B Interest Account an amount required to cause the aggregate amount on deposit in the Series B Interest Account, to equal the amount of interest becoming due and payable on such Interest Payment Date on all Outstanding Series B Bonds. All moneys in the Series B Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying interest on the Series B Bonds as it becomes due and payable (including accrued interest on any Series B Bonds redeemed prior to maturity). In the event that the amounts on deposit in the Series B Interest Account on any Interest Payment Date are insufficient for any reason to pay the aggregate amount of interest then coming due and payable on the Outstanding Series B Bonds, the Trustee will apply such amounts to the payment of interest on each of the Outstanding Series B Bonds on a pro rata basis.

**Series B Principal Account.** On each Interest Payment Date on which the principal of the Series B Bonds is payable, the Trustee will deposit in the Series B Principal Account an amount required to cause the aggregate amount on deposit in the Series B Principal Account to equal the principal amount of, and premium (if any) on, the Series B Bonds coming due and payable on such Interest Payment Date, or required to be redeemed on such Interest Payment Date pursuant to the optional redemption provisions of the Indenture. All moneys in the Series B Principal Account will be used and withdrawn by the Trustee solely for the purpose of (i) paying the principal of the Series B Bonds at the maturity thereof or (ii) paying the principal of and premium (if any) on any Series B Bonds upon the optional redemption thereof.

**Series B Reserve Fund.** On each Interest Payment Date on which the balance in the Series B Reserve Fund is less than the Series B Reserve Requirement, after making deposits to the Series B Interest Account and the Series B Interest Account, the Trustee will transfer from the Revenue Fund an amount sufficient to increase the balance in the Series B Reserve Fund to the Series B Reserve Requirement by depositing the amount necessary to make the various accounts therein equal, together, the Series B Reserve Requirement, provided the value of the moneys deposited therein, as invested, will be valued at market value on such transfer date for purposes of making such determination.

**Deficiencies.** If on any Interest Payment Date or date for redemption the amount on deposit in the Revenue Fund is inadequate to make the transfers described above as a result of a payment default on an issue of CFD Bonds, the Trustee will immediately notify the City of such CFD Bonds of the amount needed to make the required deposits under subsection (a) above and the amount needed to make the required deposits under subsection (b) above. In the event that within 5 Business Days of delivering such notice the Trustee receives additional payments from the City to cure such shortfall, the Trustee shall deposit such amounts to the account designated in writing by the City.

**Deposit into Rebate Fund.** On each Interest Payment Date after making the transfers described above, upon receipt of a Request of the Authority to do so, the Trustee will transfer from the Revenue Fund to the Rebate Fund for deposit in the accounts therein the amounts specified in such Request.

**Surplus Fund.** On September 1 of each year, after making the deposits described above, the Trustee will transfer all amounts remaining on deposit in the Revenue Fund to the Surplus Fund. See "Surplus Fund" below.

## Reserve Funds

**Series A Reserve Fund.** There shall be maintained in the Series A Reserve Fund an amount equal to the “**Series A Reserve Requirement**” (as defined in the Indenture). On the Closing Date, the Authority shall deposit into the Series A Reserve Fund the amount of \$2,677,884.99 as the initial Series A Reserve Requirement. Highland Reserve North CFD's Proportionate Share of the Series A Reserve Requirement shall be attributable to the Highland Reserve North CFD Account and Woodcreek East CFD's Proportionate Share of the Series A Reserve Requirement shall be attributable to the Woodcreek East CFD Account. “**Proportionate Share**” means, as of the date of calculation for any issue of the CFD Bonds, the ratio derived by dividing the outstanding principal amount of such CFD Bonds by the aggregate principal amount of the Outstanding CFD Bonds.

In lieu of funding the Series A Reserve Fund with cash, the Series A Reserve Requirement may be met by furnishing an irrevocable standby or direct-pay letter of credit or surety bond issued by a commercial bank or insurance company deposited with the Trustee (a “**Qualified Reserve Fund Credit Instrument**”) as described in, and meeting the requirements of, the Indenture.

In the event that the amount of the Series A Reserve Requirement is reduced because of the payment at final maturity of CFD Bonds or payment or prepayment of Special Taxes, the Trustee will, upon receipt of a Request of the Authority, adjust the balance in any account provided that the total amount in the Series A Reserve Fund equals the Series A Reserve Requirement.

Moneys in the Series A Reserve Fund will be used to pay the principal of and interest on the Series A Bonds when the moneys in the Series A Interest Account and the Series A Principal Account of the Revenue Fund are insufficient therefor. In addition, amounts in the Series A Reserve Fund may be applied (i) in connection with an optional or special (from prepayments of Special Taxes) redemption of the Series A Bonds pursuant to the Indenture or a defeasance pursuant to the Indenture, but only to the extent that amounts remaining on deposit in the Series A Reserve Fund after such application are equal to the Reserve Requirement, (ii) in connection with prepayments of Special Taxes, (iii) when the balance therein equals the principal and interest due on the Series A Bonds to and including maturity, or (iv) when amounts in certain accounts of the Series A Reserve Fund are transferred to the Series A Interest Account and the Series A Principal Account as a credit against the payments due on the CFD Bonds on the transfer dates specified below.

If the amounts in the Series A Interest Account or the Series A Principal Account of the Revenue Fund are insufficient to pay the principal of or interest on the Series A Bonds when due, the Trustee will withdraw from the Series A Reserve Fund for deposit in the Series A Interest Account and the Series A Principal Account, as applicable, moneys necessary for such purposes, subject to the following limitation: if the insufficiency was caused by a delinquency in the payment of a CFD Bond, the Trustee shall notify the City of such deficiency and the moneys necessary to make up the deficiency in the Series A Interest Account or the Series A Principal Account caused by the delinquency on the CFD Bond shall be transferred from the Account of the Series A Reserve Fund established for such CFD Bond. **Amounts in the Account of the Series A Reserve Fund established with respect to one issue of CFD Bonds may be transferred to the Series A Interest Account or Series A Principal Account only to the extent necessary to cure any default on that issue of CFD Bonds, and may not be transferred to cure any default on the other issue of CFD Bonds.**

In the event Special Taxes are paid in cash in advance of the applicable final maturity date of a CFD Bond, the Authority is required to credit such prepaid Special Tax obligation with a proportionate share of the applicable Account of the Series A Reserve Fund for the applicable CFD Bond thus reducing the total amount of the Series A Reserve Fund. The CFD Special Tax obligation will receive such credit only if and to the extent that the amount which is eligible to be credited is not needed to redeem Bonds. If all or part of the amount is needed to redeem Bonds, the Authority shall use it for such purpose. To the extent it is not needed, the amount to be so credited is the pro-rata share of the original amount deposited in such Account, less any amount previously transferred from such Account to the redemption fund for the applicable CFD Bond as a result of the delinquency in the payment of Special Tax installments, for the parcel for which the Special Tax is being prepaid. The Authority will direct the Trustee in writing to transfer the amount representing such credit from the Series A Reserve Fund to the special tax fund or redemption fund, as applicable, for the applicable CFD Bond. Notwithstanding the foregoing, such amount available as such credit shall only be actually credited as described in this paragraph if and to the extent such credit amount is not needed for redemption of Series A Bonds in accordance with the Indenture.

On July 1 of each year, any interest earned on the investment of monies on deposit in the Series A Reserve Fund which would cause the amount therein to exceed the Series A Reserve Requirement shall be deposited in the Revenue Fund.

When amounts in an Account of the Series A Reserve Fund are sufficient to repay the remaining principal and interest due on the respective CFD Bonds that will be applied to the Series A Bonds, such amount shall be transferred to the Series A Interest Account and the Series A Principal Account as a credit against the payments due on the CFD Bonds of the applicable CFD on such date with the amount transferred from an Account being deposited first to the Series A Interest Account as a credit on the interest due on the applicable CFD Bonds on such date and the balance being deposited to the Series A Principal Account as a credit on the principal due on the applicable CFD Bonds on such date.

Under the Indenture, the Authority has the right at any time to release funds from the Series A Reserve Fund, in whole or in part, by tendering to the Trustee: (i) a Qualified Reserve Fund Credit Instrument, and (ii) an opinion of Bond Counsel stating that neither the release of such funds nor the acceptance of such Qualified Reserve Fund Credit Instrument will cause interest on the Series A Bonds to become includable in gross income for purposes of federal income taxation.

At least fifteen (15) days prior to the expiration of any Qualified Reserve Fund Credit Instrument, the Authority is obligated either (i) to replace such Qualified Reserve Fund Credit Instrument with a new Qualified Reserve Fund Credit Instrument, or (ii) to deposit or cause to be deposited with the Trustee an amount of funds such that the amount on deposit in the Series A Reserve Fund (and the applicable accounts therein) is equal to the Series A Reserve Requirement (without taking into account such expiring Qualified Reserve Fund Credit Instrument). In the event that the Authority shall fail to take action as specified in clause (i) or (ii) of the preceding sentence, the Trustee shall, prior to the expiration thereof, draw upon the Qualified Reserve Fund Credit Instrument in full and deposit the proceeds of such draw in the Series A Reserve Fund (and the applicable accounts therein).

In the event that the Series A Reserve Requirement shall at any time be maintained in the Series A Reserve Fund (and the applicable accounts therein) in the form of a combination of cash and a Qualified Reserve Fund Credit Instrument, the Trustee shall apply the amount of such cash to make any payment required to be made from the Series A Reserve Fund (and the

applicable accounts therein) before the Trustee shall draw any moneys under such Qualified Reserve Fund Credit Instrument for such purpose.

**Series B Reserve Fund.** There shall be maintained in the Series B Reserve Fund an amount equal to the “**Series B Reserve Requirement**” (as defined in the Indenture). On the Closing Date, the Authority shall deposit into the Series B Reserve Fund the amount of \$346,773.79, as the Series B Reserve Requirement. Highland Reserve North CFD's Proportionate Share of the Series B Reserve Requirement shall be attributable to the Highland Reserve North CFD Account and Woodcreek East CFD's Proportionate Share of the Series B Reserve Requirement shall be attributable to the Woodcreek East CFD Account.

In lieu of funding the Series B Reserve Fund with cash, the Series A Reserve Requirement may be met by furnishing an irrevocable standby or direct-pay letter of credit or surety bond issued by a commercial bank or insurance company deposited with the Trustee (a “Qualified Reserve Fund Credit Instrument”) as described in, and meeting the requirements of, the Indenture.

Moneys in the Series B Reserve Fund will be used to pay the principal of and interest on the Series B Bonds when due in the event that when the moneys in the Series B Interest Account and the Series B Principal Account of the Revenue Fund are insufficient therefore. In addition, amounts in the Series B Reserve Fund may be applied (i) in connection with an optional redemption of Series B Bonds pursuant to the Indenture or a defeasance pursuant to the Indenture, but only to the extent that amounts remaining on deposit in the Series B Reserve Fund after such application are equal to the Reserve Requirement, (ii) in connection with prepayments of Special Taxes, (iii) when the balance therein equals the principal and interest due on the Series B Bonds to and including maturity, or (iv) when amounts in certain Accounts of the Series B Reserve Fund are transferred to the Series B Interest Account and the Series B Principal Account as a credit against the payments due on the CFD Bonds on the transfer dates specified below.

If the amounts in the Series B Interest Account or the Series B Principal Account of the Revenue Fund are insufficient to pay the principal of or interest on the Series B Bonds when due, the Trustee shall withdraw from the Series B Reserve Fund for deposit in the Series B Interest Account and the Series B Principal Account, as applicable, moneys necessary for such purposes in the following priority and subject to the following limitations: if the insufficiency was caused by a delinquency in the payment of a CFD Bond, the Trustee shall notify the City of such deficiency and the moneys necessary to make up the deficiency in the Series B Interest Account or the Series B Principal Account caused by the delinquency on the CFD Bond shall be transferred from the Account of the Series B Reserve Fund established for such CFD Bond. **Amounts in an account of the Series B Reserve Fund established with respect to one Local Obligation may be transferred to the Series B Interest Account or Series B Principal Account only to the extent necessary to cure any default on that Local Obligation, and may not be transferred to cure any default on any other CFD Bonds.**

In the event Special Taxes are paid in cash in advance of the final maturity date of a CFD Bond, the Authority is required to credit such prepaid Special Tax obligation with a proportionate share of the applicable Account of the Series B Reserve Fund for the applicable CFD Bond thus reducing the total amount of the Series B Reserve Fund. The amount to be so credited is the pro-rata share of the original amount deposited in such Account, less any amount previously transferred from such Account to the redemption fund for the applicable CFD Bond as a result of the delinquency in the payment of Special Tax installments, for the parcel for which the Special Tax is being prepaid. The Authority shall direct the Trustee in writing to

transfer the amount representing such credit from the Series B Reserve Fund to the special tax fund or redemption fund, as applicable, for the applicable CFD Bond. Notwithstanding the foregoing, such amount available as such credit shall only be actually credited as described in this paragraph if and to the extent such credit amount is not needed for redemption of Series B Bonds in accordance with the Indenture.

On July 1 of each year, any interest earned on the investment of monies on deposit in the Series B Reserve Fund which would cause the amount therein to exceed the Series B Reserve Requirement shall be transferred to the Revenue Fund.

When amounts in an Account of the Series B Reserve Fund are sufficient to repay the remaining principal and interest due on the respective CFD Bonds that will be applied to the Series B Bonds, such amount shall be transferred to the Series B Interest Account and the Series B Principal Account as a credit against the payments due on the applicable CFD Bonds, with the amount transferred from an Account being deposited first to the Series B Interest Account as a credit on the interest due on the applicable CFD Bonds on such date and the balance being deposited to the Series B Principal Account as a credit on the principal due on the applicable CFD Bonds on such date.

The Authority has the right at any time to release funds from the Series B Reserve Fund, in whole or in part, by tendering to the Trustee: (i) a Qualified Reserve Fund Credit Instrument, and (ii) an opinion of Bond Counsel stating that neither the release of such funds nor the acceptance of such Qualified Reserve Fund Credit Instrument will cause interest on the Series B Bonds to become includable in gross income for purposes of federal income taxation

At least fifteen (15) days prior to the expiration of any Qualified Reserve Fund Credit Instrument, the Authority is obligated either (i) to replace such Qualified Reserve Fund Credit Instrument with a new Qualified Reserve Fund Credit Instrument, or (ii) to deposit or cause to be deposited with the Trustee an amount of funds such that the amount on deposit in the Series B Reserve Fund (and the applicable accounts therein) is equal to the Series B Reserve Requirement (without taking into account such expiring Qualified Reserve Fund Credit Instrument). In the event that the Authority shall fail to take action as specified in clause (i) or (ii) of the preceding sentence, the Trustee shall, prior to the expiration thereof, draw upon the Qualified Reserve Fund Credit Instrument in full and deposit the proceeds of such draw in the Series B Reserve Fund (and the applicable accounts therein).

In the event that the Series B Reserve Requirement shall at any time be maintained in the Series B Reserve Fund (and the applicable accounts therein) in the form of a combination of cash and a Qualified Reserve Fund Credit Instrument, the Trustee shall apply the amount of such cash to make any payment required to be made from the Series B Reserve Fund (and the applicable accounts therein) before the Trustee shall draw any moneys under such Qualified Reserve Fund Credit Instrument for such purpose.

### **Surplus Fund**

Any amounts transferred to the Surplus Fund will no longer be considered Revenues or Subordinated Revenues and are not pledged to repay the Bonds. So long as Local Obligations are outstanding, on September 2 of each year, after setting aside any amount specified in a Request of the Authority as necessary to pay Administrative Expenses, any moneys remaining in the Surplus Fund shall be transferred to the City and used for any lawful purpose.

## **Additional Bonds**

The Authority may issue Additional Bonds secured on a parity with Series A Bonds (“**Additional Series A Bonds**”), and may issue Additional Bonds secured on a parity with Series B Bonds (“**Additional Series B Bonds**”), in each case in such principal amount as shall be determined by the Authority, pursuant to a Supplemental Indenture adopted or entered into by the Authority, provided proceeds of such Bonds shall be applied to accomplish a refunding of all or a portion of the Bonds and there shall have been delivered to the Trustee a certificate of an Independent Financial Consultant stating that the annual payments due on the CFD Bonds will be adequate to pay the principal of and interest on all Bonds and Additional Bonds when due subject to the following conditions precedent.

(a) Any Additional Bonds issued to refund a portion of the Series A Bonds must be issued by the Authority and must be secured on a parity to the remaining Series A Bonds. If the Additional Bonds are secured on a parity with Series A Bonds (“**Additional Series A Bonds**”) the issuance of such Additional Series A Bonds shall be subject to the following conditions precedent, unless waived by the Bond Insurer:

(i) The projected Revenues derived from amounts received on the Local Obligations for each Fiscal Year that the Additional Series A Bonds are to be outstanding are equal to or greater than one hundred five percent (105%) of Debt Service on the Series A Bonds and Additional Series A Bonds for each Fiscal Year that the Bonds and Additional Series A Bonds will be outstanding;

(ii) The maximum Special Taxes that could be generated in the Highland Reserve North CFD and Woodcreek East CFD for each Fiscal Year that the Additional Series A Bonds are to be outstanding is equal to or greater than one hundred ten percent (110%) of the corresponding annual debt service on the respective Highland Reserve North CFD Local Obligations and Woodcreek East CFD Local Obligations;

(iii) The maximum Special Taxes that could be generated in the Highland Reserve North CFD from property within the Highland Reserve North CFD which is listed on the most recent Placer County tax roll as having an amount of structural value or which is property for which a final building permit has been issued by the City shall be equal to or greater than one hundred percent (100%) of Debt Service on the Series A Bonds and Additional Series A Bonds payable from Revenues attributable to the Highland Reserve North CFD for each Fiscal Year that the Bonds and Additional Series A Bonds will be outstanding;

(iv) The maximum Special Taxes that could be generated in the Highland Reserve North CFD shall be equal to or greater than one hundred twenty percent (120%) of Debt Service on the Series A Bonds and Additional Series A Bonds payable from Revenues attributable to the Highland Reserve North CFD for each Fiscal Year that the Bonds and Additional Series A Bonds will be outstanding;

(v) The aggregate value of all parcels in the Highland Reserve North CFD and Woodcreek East CFD subject to the special tax supporting the respective Local Obligations, as determined by an MAI appraisal or, in the alternative, the assessed value of all such parcels and improvements thereon as shown on the then current County tax roll, or the value determined by a combination of both methods is at least 15.00 times the outstanding amount of the Local Obligations;

(vi) The County assessed value of all parcels and improvements thereon in the Highland Reserve North CFD and Woodcreek East CFD, as shown on the then current County tax roll is at least \$500,000,000.

(c) The Supplemental Indenture providing for the issuance of such Additional Bonds shall provide that interest thereon shall be payable on September 1 and March 1, and principal thereof shall be payable on September 1 in any year in which principal is payable.

(d) The Supplemental Indenture providing for the issuance of such Additional Bonds may provide for the establishment of separate funds and accounts.

(e) No Event of Default shall have occurred and be continuing with respect to the Bonds or any of the Local Obligations.

(f) The Authority shall deliver to the Trustee a written Certificate of the Authority certifying that the conditions precedent to the issuance of such Additional Bonds set forth in subsection (a) (excluding any conditions waived by the Bond Insurer) above have been satisfied and that (i) with respect to the Series A Reserve Fund, an amount equal to the Series A Reserve Requirement is on deposit in the Series A Reserve Fund or is held in a separate reserve account established by the Trustee, solely to secure the Series A Bonds and the Additional Series A Bonds (which may be maintained in whole or in part in the form of a Qualified Reserve Fund Credit Instrument as provided herein) and (ii) with respect to the Series B Reserve Fund, an amount equal to the Series B Reserve Requirement is on deposit in the Series B Reserve Fund or is held in a separate reserve account established by the Trustee, solely to secure the Series B Bonds and the Additional Series B Bonds (which may be maintained in whole or in part in the form of a Qualified Reserve Fund Credit Instrument as provided herein).

## **SECURITY FOR THE CFD BONDS**

### **General**

Each CFD Bond is a limited obligation of the City payable solely from Special Tax Revenues (defined below) collected in the CFD and amounts deposited by the City in the Special Tax Fund. The City's limited obligation to pay the principal of, premium, if any, and interest on the applicable CFD Bonds from Special Tax Revenues collected in the CFD and amounts in the Special Tax Fund is absolute and unconditional.

Each CFD Bond (and Parity Bonds, if any, issued under the CFD Indenture relating to the CFD Bond, each a "**CFD Parity Bond**") is not a legal or equitable pledge, charge, lien or encumbrance upon any of the CFD's property, or upon any of its income, receipts or revenues, except the Special Tax Revenues collected in the CFD and other amounts in the Special Tax Fund.

**None of the Special Taxes levied in one CFD may be used to pay debt service on the other CFD Bond.**

**Except for the Special Tax Revenues for each CFD, neither the credit nor the taxing power of the City is pledged for the payment of the CFD Bonds or related interest, and no Owner of the Bonds may compel the exercise of taxing power by the City or the forfeiture of any of its property. The principal of and interest on the CFD Bonds and**

**premiums upon the redemption thereof, if any, are not a debt of the City, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory limitation or restriction.**

### **Special Taxes; Special Tax Revenues**

The “**Special Taxes**” for the CFDs are levied and collected according to the rate and method of apportionment (each, a “**Rate and Method**”) established for such CFD. See “HIGHLAND RESERVE NORTH CFD” and “WOODCREEK EAST CFD” for a description of the Rate and Method for each CFD. See also Appendix B hereto.

The “**Special Tax Revenues**” pledged by the City to the related CFD Bonds (and any related CFD Parity Bonds) is defined as the proceeds of the Special Taxes received by the City, including all scheduled payments and delinquent payments thereof, interest and penalties thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes.

Except for the portion of any prepayment of Special Taxes to be deposited into the Redemption Account established under the applicable CFD Indenture, the Trustee under the CFD Indenture will, on each date on which the Special Taxes are received from the CFD, deposit the Special Taxes in the Special Tax Fund to be held in trust for the Owners. The City will transfer the Special Taxes on deposit in the Special Tax Fund on the dates and in the amounts set forth in the following Sections, in the following order of priority, to:

- (1) The Interest Account of the Special Tax Fund;
- (2) The Principal Account of the Special Tax Fund;
- (3) The Redemption Account of the Special Tax Fund;
- (4) The Authority Trustee, the amount needed to restore the applicable CFD Reserve Account of the Series A Reserve Fund held by the Authority Trustee to the Proportionate Share of the Series A Reserve Requirement
- (5) The Authority Trustee, in the amount needed to restore the applicable CFD Reserve Account of the Series B Reserve Fund held by the Authority Trustee to the Proportionate Share of the Series B Reserve Requirement; and
- (6) The Administrative Expense Account of the Special Tax Fund;
- (7) The Surplus Fund.

The Special Tax is collected in the manner and at the same time as ad valorem property taxes are collected and is subject to the same penalties and the same procedure, sale, and lien priority in case of delinquency as is provided for *ad valorem* property taxes.

### **CFD Parity Bonds**

In each CFD Indenture, the City covenants that it will not issue additional bonds secured by Special Tax Revenues on a parity with the related CFD Bonds, however any such limitation does not prevent the City from issuing such bonds for the purpose of refunding all or a portion of the related CFD Bonds (or bonds previously issued for that purpose).

## Priority of Lien

Each installment of the Special Taxes and any interest and penalties thereon, constitutes a lien on the parcel of land on which it was imposed until the same is paid. Such lien is co-equal to and independent of the lien for general taxes, any other community facilities district special taxes and special assessment liens. See "THE COMMUNITY FACILITIES DISTRICTS— Overlapping Liens" herein.

## Covenants of the CFD

In each CFD Indenture, the City covenants as follows, among other things:

***Punctual Payment.*** It will duly and punctually pay or cause to be paid the principal of and interest on each related CFD Bond (and any related CFD Parity Bond) issued under a CFD Indenture, together with the premium, if any to the extent that Special Tax Revenues and other amounts pledged under the CFD Indenture are available therefor.

***Against Encumbrance.*** It will not mortgage or otherwise encumber, pledge or place any charge upon any of the Special Tax Revenues except as provided in the related CFD Indenture, and will not issue any obligation or security having a lien or charge upon the Special Tax Revenues superior to or on a parity with the related CFD Bonds. Nothing in the CFD Indenture prevents the City from issuing or incurring indebtedness which is payable from a pledge of Special Tax Revenues which is subordinate in all respects to the pledge of Special Tax Revenues to repay the related CFD Bond, nor prevents the City from issuing refunding bonds.

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

(i) ***Processing.*** On or within five (5) Business Days of each July 1, the Trustee shall provide the Administrative Services Director with a notice stating the amount then on deposit in the Special Tax Fund and the other funds and accounts held by the Trustee under the Indenture, whether or not amounts need to be deposited into the applicable Reserve Accounts to increase the amounts on deposit therein to the Proportionate Share of the Reserve Requirement, and informing the City that the Special Taxes need to be levied as necessary to provide for the Special Tax Requirement (as defined in clause (iii) below). The receipt of or failure to receive such notice by the Administrative Services Director shall in no way affect the obligations of the Administrative Services Director under the following two paragraphs and the Trustee shall not be liable for failure to provide such notice to the Administrative Services Director. Upon receipt of such notice, the Administrative Services Director shall communicate with the Auditor to ascertain the relevant parcels on which the Special Taxes are to be levied, taking into account any parcel splits or combinations during the preceding and then current year.

(ii) ***Levy.*** The Administrative Services Director shall effect the levy of the Special Taxes each Fiscal Year by each September 1 that the Bonds are outstanding, or otherwise such that the computation of the levy is complete before the final date on which Auditor will accept the transmission of the Special Tax amounts for the parcels within the CFD for inclusion on the next real property tax roll. Upon the completion of the computation of the amounts of the levy, the Administrative Services Director shall

prepare or cause to be prepared, and shall transmit to the Auditor, such data as the Auditor requires to include the levy of the Special Taxes on the next real property tax roll.

(iii) *Computation.* The Administrative Services Director shall fix and levy the amount of Special Taxes within the CFD in an amount sufficient, together with other amounts on deposit in the Special Tax Fund and available for such purpose, to pay (A) the principal of and interest on the Bonds and any Parity Bonds when due, (B) the Administrative Expenses, including amounts necessary to discharge any rebate obligation, during such year and (C) any amounts required to replenish the applicable Reserve Accounts to the Proportionate Share of the Series A Reserve Requirement and the Series B Reserve Requirement (the “**Special Tax Requirement**”), taking into account the balances in such funds and in the Special Tax Fund. The Special Taxes so levied shall not exceed the authorized amounts as provided in the proceedings under the Resolution of Formation.

(iv) *Collection.* 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 time and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the *ad valorem* taxes on real property.

**Commence Foreclosure Proceedings.** Under the Act, the City covenants with and for the benefit of the Owners of the Bonds that it will order, and cause to be commenced as hereinafter provided, and thereafter diligently prosecute to judgment (unless such delinquency is theretofore brought current), an action in the superior court to foreclose the lien of any Special Tax or installment thereof not paid when due as provided in the following two paragraphs. The Administrative Services Director shall notify the City Attorney of any such delinquency of which the Administrative Services Director is aware, and the City Attorney shall commence, or cause to be commenced, such proceedings.

On or about March 30 and June 30 of each Fiscal Year, the Administrative Services Director shall compare the amount of Special Taxes theretofore levied in the CFD to the amount of Special Tax Revenues theretofore received by the City, and:

(i) *Individual Delinquencies.* So long as the CFD does not participate in the Alternative Method of Distribution of Tax Levies and Collections described in Revenue & Taxation Code Section 4701 et seq., or an equivalent procedure, if the Administrative Services Director determines that any single parcel subject to the Special Tax in the CFD is delinquent in the payment of Special Taxes in the aggregate amount of \$3,000 or more, then the Administrative Services Director shall send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner within 60 days of such determination, and (if the delinquency remains uncured) foreclosure proceedings shall be commenced by the City within 120 days of such determination.

(ii) *Aggregate Delinquencies.* So long as the CFD does not participate in the Alternative Method of Distribution of Tax Levies and Collections described in Revenue & Taxation Code Section 4701 et seq., or an equivalent procedure, if the Administrative Services Director determines that the total amount of delinquent Special Tax for the prior Fiscal Year for the entire CFD, (including the total of delinquencies under subsection (i) above), exceeds 5% of the total Special Tax due and payable for the prior Fiscal Year,

the City shall notify or cause to be notified property owners who are then delinquent in the payment of Special Taxes (and demand immediate payment of the delinquency) within 60 days of such determination, and shall commence foreclosure proceedings within 120 days of such determination against each parcel of land in the CFD with a Special Tax delinquency.

## **FINANCIAL GUARANTY INSURANCE**

Payment of principal of and interest on the Series A Bonds when due will be insured by a financial guaranty insurance policy (the "**Policy**") to be issued simultaneously with issuance of the Series A Bonds by Ambac Assurance Corporation ("**Ambac Assurance**" or the "**Insurer**"). **The Series B Bonds are not insured by the Policy.**

*The following information has been furnished by Ambac Assurance for use in this Official Statement. This information has not been independently confirmed or verified by the City or the Underwriter. No representation is made by the City or the Underwriter as to the accuracy or adequacy of this information subsequent to the date of this Official Statement, or that the information contained and incorporated herein by reference is correct. Reference is made to Appendix I for a specimen of the Insurer's Financial Guaranty Insurance Policy.*

### **Payment Pursuant to Financial Guaranty Insurance Policy**

Ambac Assurance has made a commitment to issue a financial guaranty insurance policy (the "**Financial Guaranty Insurance Policy**") relating to the Series A Bonds effective as of the date of delivery of the Series A Bonds. Under the terms of the Financial Guaranty Insurance Policy, Ambac Assurance will pay to The Bank of New York, New York, New York or any successor thereto (the "**Insurance Trustee**") that portion of the principal of and interest with respect to the Series A Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor (as such terms are defined in the Financial Guaranty Insurance Policy). Ambac Assurance will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which Ambac Assurance shall have received notice of Nonpayment from the Trustee. The insurance will extend for the term of the Series A Bonds and, once issued, cannot be canceled by Ambac Assurance.

The Financial Guaranty Insurance Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the Series A Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding Series A Bonds, Ambac Assurance will remain obligated to pay principal of and interest on outstanding Series A Bonds on the originally scheduled interest and principal payment dates including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the Series A Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration.

In the event the Trustee has notice that any payment of principal of or interest on a Series A Bond which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled

to payment from Ambac Assurance to the extent of such recovery if sufficient funds are not otherwise available.

The Financial Guaranty Insurance Policy does not insure any risk other than Nonpayment, as defined in the Policy. Specifically, the Financial Guaranty Insurance Policy does not cover:

1. payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity,
2. payment of any redemption, prepayment or acceleration premium,
3. nonpayment of principal or interest caused by the insolvency or negligence of any Trustee, Paying Agent or Bond Registrar, if any.

If it becomes necessary to call upon the Financial Guaranty Insurance Policy, payment of principal requires surrender of Series A Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Series A Bonds to be registered in the name of Ambac Assurance to the extent of the payment under the Financial Guaranty Insurance Policy. Payment of interest pursuant to the Financial Guaranty Insurance Policy requires proof of Holder entitlement to interest payments and an appropriate assignment of the Holder's right to payment to Ambac Assurance.

Upon payment of the insurance benefits, Ambac Assurance will become the owner of the Series A Bond, appurtenant coupon, if any, or right to payment of principal or interest on such Series A Bond and will be fully subrogated to the surrendering Holder's rights to payment.

In the event that Ambac Assurance were to become insolvent, any claims arising under the Policy would be excluded from coverage by the California Insurance Guaranty Association, established pursuant to the laws of the State of California.

### **Ambac Assurance Corporation**

Ambac Assurance Corporation ("**Ambac Assurance**") is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam, the Commonwealth of Puerto Rico and the U.S. Virgin Islands, with admitted assets of approximately \$8,994,000,000 (unaudited) and statutory capital of \$5,649,000,000 (unaudited) as of December 31, 2005. Statutory capital consists of Ambac Assurance's policyholders' surplus and statutory contingency reserve. Standard & Poor's Credit Markets Services, a Division of The McGraw-Hill Companies, Moody's Investors Service and Fitch Ratings have each assigned a triple-A financial strength rating to Ambac Assurance.

Ambac Assurance has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by Ambac Assurance will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by Ambac Assurance under policy provisions substantially identical to those contained in its Financial Guaranty insurance policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the Obligor of the Series A Bonds. No representation is made by Ambac Assurance regarding the federal income tax treatment of payments that are made by Ambac Assurance under the terms of the Policy due to nonappropriation of funds by the Lessee.

Ambac Assurance makes no representation regarding the Series A Bonds or the advisability of investing in the Series A Bonds and makes no representation regarding, nor has it participated in the preparation of, the Official Statement other than the information supplied by Ambac Assurance and presented under this heading "BOND INSURANCE."

### **Available Information**

The parent company of Ambac Assurance, Ambac Financial Group, Inc. (the "**Company**"), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "**SEC**"). These reports, proxy statements and other information can be read and copied at the SEC's public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an internet site at <http://www.sec.gov> that contains reports, proxy and information statements and other information regarding companies that file electronically with the SEC, including the Company. These reports, proxy statements and other information can also be read at the offices of the New York Stock Exchange, Inc. (the "**NYSE**"), 20 Broad Street, New York, New York 10005.

Copies of Ambac Assurance's financial statements prepared in accordance with statutory accounting standards are available from Ambac Assurance. The address of Ambac Assurance's administrative offices and its telephone number are One State Street Plaza, 19th Floor, New York, New York, 10004 and (212) 668-0340.

### **Incorporation of Certain Documents by Reference**

The following documents filed by the Company with the SEC (File No. 1-10777) are incorporated by reference in this Official Statement:

1. The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2004 and filed on March 15, 2005;
2. The Company's Current Report on Form 8-K dated April 5, 2005 and filed on April 11, 2005;
3. The Company's Current Report on Form 8-K dated and filed on April 20, 2005;
4. The Company's Current Report on Form 8-K dated May 3, 2005 and filed on May 5, 2005;
5. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 2005 and filed on May 10, 2005;
6. The Company's Current Report on Form 8-K dated and filed on July 20, 2005;
7. The Company's Current Report on Form 8-K dated July 28, 2005 and filed on August 2, 2005;
8. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended June 30, 2005 and filed on August 9, 2005;

9. The information furnished and deemed to be filed under Item 2.02 contained in the Company's Current Report on Form 8-K dated and filed on October 19, 2005;
10. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended September 30, 2005 and filed on November 9, 2005;
11. The Company's Current Report on Form 8-K dated November 29, 2005 and filed on December 5, 2005;
12. The Company's Current Report on Form 8-K dated and filed on January 25, 2006; and
13. The Company's Current Report on Form 8-K dated January 23, 2006 and filed on January 27, 2006.

All documents subsequently filed by the Company pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above in "Available Information."

## **THE COMMUNITY FACILITIES DISTRICTS**

### **Introduction**

Set forth in this section is certain information describing the CFDs on a combined basis, followed by sections setting forth information on each CFD separately.

Although the Authority believes the information with respect to the CFDs in the aggregate is relevant to an informed decision to purchase the Bonds, investors should be aware that the **debt service on one series of CFD Bonds may not be used to make up any shortfall in the debt service on the other issue of CFD Bonds**. Moreover, the parcels in both of the CFDs are taxed according to that CFD's specific Rate and Method.

Furthermore, potential investors should be aware that Special Taxes are levied against individual parcels within each CFD, therefore any individual parcel in a CFD may have a value-to-debt burden ratio which is less than the overall value-to-debt burden for such CFD, or less than the value-to-debt burden of both CFDs on a combined basis. In particular, an individual parcel which is undeveloped may have a value-to-debt burden ratio of less than 1 to 1.

### **Property Values and Value-to-Burden Ratios on a Combined Basis**

**Assessed Value of Parcels in Highland Reserve North CFD and Woodcreek East CFD.** The City has obtained the "full cash" assessed values of all of the taxable parcels in Highland Reserve North CFD (1,333 parcels) and Woodcreek East CFD (350 parcels), as established by the County Assessor for Fiscal Year 2005-06, and as to the parcels which are on the tax roll as unimproved but construction is underway or completed but not yet reflected on the tax roll, the City has added the building permit value to determine value. The estimated total valuation of the parcels in the Highland Reserve North CFD is \$557,451,648 and the estimated total valuation of the parcels in the Woodcreek East CFD is \$159,088,295, for a combined total valuation of \$716,539,943, as summarized in the table below.

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 or 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 percent 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 percent 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 Special Taxes 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.

The following tables summarize the combined value-to-debt burden of all property in the CFDs against the Bonds, with the first table showing the allocation of the CFD Bonds liens corresponding to the Series A Bonds and the second table showing the allocation of the CFD Bonds liens corresponding to the subordinate position of the Series B Bonds. Potential investors should note that the Special Taxes levied and collected in one CFD secure only the issue of CFD Bonds issued on behalf of such CFD and additional Special Taxes cannot be levied in one CFD to compensate for nonpayment of Special Taxes in the other CFD.

**CITY OF ROSEVILLE  
VALUE-TO-BURDEN RATIOS  
Highland Reserve North CFD and Woodcreek East CFD Combined  
Calculation of Special Tax Revenues by Development Category  
Value to Lien Ratio For Senior Lien Bonds**

<u>Category</u>	<u>Number of Parcels</u>	<u>Maximum Special Tax</u>	<u>% of Max Special Tax</u>	<u>CFD Lien Corresponding to Senior Bonds</u>	<u>Value (1)</u>	<u>Value to Lien Ratio</u>
<i>SF Residential</i>						
Developed	1,338	\$2,016,452	59.49%	\$21,338,266	\$535,630,298	25.1
Final Building Permit (1)	26	38,085	1.12	403,024	9,420,855	23.4
Undeveloped	4	4,973	0.15	52,619	200,840	3.8
<i>Condominium</i>						
Developed	93	72,520	2.14	767,410	14,257,980	18.6
Final Building Permit (1) (2)	94	68,031	2.01	719,910	13,628,761	18.9
Building Permit (3)	53	34,426	1.02	364,299	1,159,322	3.2
Undeveloped	40	134,448	3.97	1,422,743	4,431,065	3.1
<i>Commercial</i>						
Developed	23	594,526	17.54	6,291,328	112,496,315	17.9
Final Building Permit (1) (4) (5)	8	50,867	1.50	538,277	6,904,637	12.8
Building Permit	-	-	0.00	-	-	-
Undeveloped	<u>14</u>	<u>375,363</u>	<u>11.07</u>	<u>3,972,123</u>	<u>18,409,870</u>	<u>4.6</u>
<b>Total</b>	1,693	\$3,389,691	100.00%	\$35,870,000	\$716,539,943	19.98

- (1) Final Building Permit parcel value is sum of assessed land value per 2005-06 tax roll and building permit value. Values for all other development categories is based on assessed value on 2005-06 tax rolls only.
- (2) A "final" building permit indicates completion of the structure. Per the City, for condominiums with addresses of 300 Dante Circle through 810 Dante Circle in the Highland Reserve North CFD, final building permits given for each group of condo units, not each condo unit. Building permit value for the grouped condo building utilized.
- (3) A building permit which is not "final" indicates construction less than completion. Per the City, for condominiums with addresses of 1000 Dante Circle through 1510 Dante Circle, initial building permits given for each group of condo units, not each condo unit. Value is based solely on land values provided on 2005-06 tax rolls.
- (4) Per the City, parcels have received new APN's since 2005-06 tax rolls. Properties have received final building permits and are currently operating commercial businesses.
- (5) Two parcels on the 2005/06 tax roll have been subdivided into multiple parcels. Munifinancial calculated the maximum special tax for each new tax parcel. The land assessed value of the old parcels was spread evenly on the new resulting parcels. The new parcels were segregated into those that have received Final Building Permits and those that have not.

**CITY OF ROSEVILLE**  
**VALUE-TO-BURDEN RATIOS**  
**Highland Reserve North CFD and Woodcreek East CFD Combined**  
**Calculation of Special Tax Revenues by Development Category**  
**Value to Lien Ratio For Subordinate Lien Bonds**

<u>Category</u>	<u>Number of Parcels</u>	<u>Maximum Special Tax</u>	<u>% of Max Special Tax</u>	<u>CFD Lien Corresponding to Subordinate Bonds</u>	<u>Value (1)</u>	<u>Value to Lien Ratio</u>
<i>SF Residential</i>						
Developed	1,338	\$2,016,452	59.49%	\$24,101,474	\$535,630,298	22.2
Final Building Permit (1)	26	38,085	1.12	455,213	9,420,855	20.7
Undeveloped	4	4,973	0.15	59,433	200,840	3.4
<i>Condominium</i>						
Developed	93	72,520	2.14	866,787	14,257,980	16.4
Final Building Permit (1) (2)	94	68,031	2.01	813,135	13,628,761	16.8
Building Permit (3)	53	34,426	1.02	411,475	1,159,322	2.8
Undeveloped	40	134,448	3.97	1,606,981	4,431,065	2.8
<i>Commercial</i>						
Developed	23	594,526	17.54	7,106,026	112,496,315	15.8
Final Building Permit (1) (4) (5)	8	50,867	1.5	607,981	6,904,637	11.4
Undeveloped (5)	14	375,363	11.07	4,486,495	18,409,870	4.1
<b>Total</b>	<b>1,693</b>	<b>\$3,389,691</b>	<b>100.00%</b>	<b>\$40,515,000</b>	<b>\$716,539,943</b>	<b>17.69</b>

- (1) Final Building Permit parcel value is sum of assessed land value per 2005-06 tax roll and building permit value. Values for all other development categories is based on assessed value on 2005-06 tax rolls only.
- (2) A "final" building permit indicates completion of the structure. Per the City, for condominiums with addresses of 300 Dante Circle through 810 Dante Circle in the Highland Reserve North CFD, final building permits given for each group of condo units, not each condo unit. Building permit value for the grouped condo building utilized.
- (3) A building permit which is not "final" indicates construction less than completion. Per the City, for condominiums with addresses of 1000 Dante Circle through 1510 Dante Circle, initial building permits given for each group of condo units, not each condo unit. Value is based solely on land values provided on 2005-06 tax rolls.
- (4) Per the City, parcels have received new APN's since 2005-06 tax rolls. Properties have received final building permits and are currently operating commercial businesses.
- (5) Two parcels on the 2005/06 tax roll have been subdivided into multiple parcels. Munifinancial calculated the maximum special tax for each new tax parcel. The land assessed value of the old parcels was spread evenly on the new resulting parcels. The new parcels were segregated into those that have received Final Building Permits and those that have not.

The Series B Bonds amount was sized substantially in part based upon the amount of undeveloped property in the Highland Reserve North CFD. The following table shows the value-to-debt burden of the undeveloped property in the Highland Reserve North CFD against the Series B Bonds.

**CITY OF ROSEVILLE  
VALUE-TO-BURDEN RATIOS  
Highland Reserve North CFD and Woodcreek East CFD Combined  
Calculation of Special Tax Revenues by Development Category  
Value to Lien Ratio For Subordinate Lien Bonds**

<u>Category</u>	<u>Number of Parcels</u>	<u>Maximum Special Tax</u>	<u>% of Max Special Tax</u>	<u>CFD Lien Corresponding to Subordinate Bonds</u>	<u>Value</u>	<u>Value to Lien Ratio</u>
<i>SF Residential</i> Undeveloped	4	\$ 4,973	0.97%	\$ 33,422	\$ 200,840	6.0
<i>Condominium</i> Undeveloped	40	134,448	26.12	903,663	4,431,065	4.9
<i>Commercial</i> Undeveloped (1)	<u>14</u>	<u>375,363</u>	<u>72.92</u>	<u>2,522,916</u>	<u>18,409,870</u>	<u>7.3</u>
<b>Total</b>	58	\$514,784	100.00%	\$3,460,000	\$23,041,775	6.66

(1) Two parcels on 2005/06 tax roll have subdivided into multiple parcels. Munifinancial calculated the maximum tax for each new parcel. The land assessed value of the old parcels was spread evenly on the new resulting parcels. The new parcels were segregated into those that have received a Final Building Permit and those that have not.

## HIGHLAND RESERVE NORTH CFD

### Location and Description

Pursuant to the Mello-Roos Act, the City Council adopted a resolution stating its intent to establish Highland Reserve North CFD, to authorize the levy of special taxes (the “**Highland Reserve North CFD Special Tax**”) on land within the district, and to have Highland Reserve North CFD incur bonded indebtedness. Following public hearings conducted pursuant to the Mello-Roos Act, the City Council adopted a resolution establishing Highland Reserve North CFD and calling for a special election to authorize the levy of the Highland Reserve North CFD Special Tax and incur bonded indebtedness in an aggregate principal amount of not-to-exceed \$35,000,000. At the special election on August 18, 1999 the qualified electors of Highland Reserve North CFD authorized Highland Reserve North CFD to incur bonded indebtedness and approved the levy of the Highland Reserve North CFD Special Tax pursuant to the Rate and Method of Apportionment of Special Taxes (the “**Highland Reserve North CFD Rate and Method**”). For the complete text of the Highland Reserve North CFD Rate and Method, see “APPENDIX C – Rate and Methods of Apportionment of Special Taxes for the CFDs”.

Highland Reserve North CFD consists of approximately 575 gross acres (which includes approximately 102 acres of parks, open space and other public uses not subject to the Special Tax) consisting of 1,333 taxable parcels located on the northeastern perimeter of the City. The District is located east of Highway 65, south of Blue Oaks Boulevard and adjacent to the Rocklin city limits in an area of the City that has experienced significant new development in the last 5 years.

The District encompasses approximately 575 acres of the 615 acres within the City’s Highland Reserve North Specific Plan Area established in 1997. Upon formation of Highland Reserve North CFD in 1999, property in the Highland Reserve North CFD was planned for a maximum of 1,770 residential units and 169 acres designated for various type of commercial uses. Currently, 1,280 of the parcels are “developed” (meaning that a building permit has been issued for such parcel by January 2006) and 53 parcels are undeveloped.

### Prior Highland Reserve North CFD Bonds; Purpose

On behalf of Highland Reserve North CFD, the City previously issued the 33,470,000 original principal amount of City of Roseville Highland Reserve North Community Facilities District No. 1 Special Tax Bonds, Series 1999 (the “**Prior Highland Reserve North Bonds**”). Following issuance of the Prior Highland Reserve North CFD Bonds, there was a remaining authorized bonded indebtedness of \$1,530,000.

The Prior Highland Reserve North CFD Bonds were issued to finance transportation improvements, water and wastewater system improvements, drainage improvements, a school site purchase and park improvements and incidental expenses related thereto of benefit to the Highland Reserve North CFD. All of the proceeds of the Prior Highland Reserve North Bonds designated to be used to finance the improvements have been expended.

## **Rate and Method of Apportionment of Special Taxes**

The Special Tax authorized under the Act applicable to land within the Highland Reserve North CFD will be levied and collected according to the tax liability determined by the City through the application of the appropriate amount or rate as described in the Special Tax Formula (defined terms set forth below in this section have the meanings set forth in the Special Tax Formula) set forth in "APPENDIX C — RATE AND METHODS OF APPORTIONMENT OF SPECIAL TAXES FOR THE CFDs."

In General. The Highland Reserve North CFD Special Taxes are levied in accordance with the Highland Reserve North CFD Rate and Method, set forth in Appendix C. Capitalized terms used below but not defined below have the meaning given them in the Highland Reserve North CFD Rate and Method.

Annual Levy. Each year, the City will determine the Annual Costs of the District for the upcoming fiscal year. The Annual Costs include the following items (i) debt service on the Bonds; (ii) replenishment of the Reserve Fund; (iii) anticipated Special Tax delinquencies; (iv) administration of the District; and (v) at the discretion of the City, reimbursements to the landowners or others for expenditures for costs of the Improvements not funded from Bond proceeds. The Annual Costs are the basis of the amount of Special Tax to be levied within the District. In no event may the City levy a Special Tax in any year above the Maximum Special Tax identified for each parcel in the Special Tax Formula.

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

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

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

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

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

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

For the complete text of the Highland Reserve North CFD Rate and Method, see "APPENDIX C - Rate and Methods of Apportionment of Special Taxes for the CFDs".

### **2005-06 Assessed Valuation and Development Status**

For information on the 2005-06 County assessed valuation of property in the Highland Reserve North CFD and other information relevant to the Highland Reserve North CFD, see the 2005 Annual Continuing Disclosure Information Statement attached hereto as Appendix B.

### **Valuation and Value-to-Debt Burden**

**Assessed Value of Land in Highland Reserve North CFD.** The City has obtained the "full cash" assessed values of all of the taxable parcels in Highland Reserve North CFD (350 parcels in total), as established by the County Assessor for Fiscal Year 2005-06, and as to the parcels which are on the tax roll as unimproved but construction is underway or completed but not yet reflected on the tax roll, the City has added the building permit value to determine value. The estimated total valuation of the parcels in the Highland Reserve North CFD is \$556,758,920 as summarized in the table below.

**Value-to-Debt Burden.** The value-to-debt burden of the taxable parcels in Highland Reserve North CFD (\$557,451,648 valuation, as noted below) and the burden of the Highland Reserve North CFD Special Taxes based on the Highland Reserve North CFD Bonds is shown below, based on bond amounts allocable to the Highland Reserve North CFD Bonds. The table describes the number of taxable parcels in certain value-to-debt burden categories for fiscal year 2005-06. For purposes of this Official Statement, parcels shown below are only those parcels against which Special Taxes may be levied and collected and the only burden is the burden of the Highland Reserve North CFD Bonds.

**HIGHLAND RESERVE NORTH CFD**  
**Calculation of Special Tax Revenues by Development Category**  
**Value to Lien Ratio on Highland Reserve North CFD Bonds**

<u>Category</u>	<u>Number of Parcels</u>	<u>Maximum Special Tax</u>	<u>% of Max Special Tax</u>	<u>CFD Lien Corresponding to Bonds</u>	<u>Value (1)</u>	<u>Value to Lien Ratio</u>
<i>SF Residential</i>						
Developed	1,001	\$1,453,821	51.82%	\$17,163,790	\$382,506,778	22.3
Final Building Permit (1)	13	16,382	0.58	193,402	3,456,080	17.9
Building Permit	-	-	0.00	-	-	-
Undeveloped	4	4,973	0.18	58,705	200,840	3.4
<i>Condominium</i>						
Developed	93	72,520	2.59	856,168	14,257,980	16.7
Final Building Permit (1) (2)	94	68,031	2.43	803,173	13,628,761	17.0
Building Permit (3)	53	34,426	1.23	406,434	1,159,322	2.9
Undeveloped	40	134,448	4.79	1,587,294	4,431,065	2.8
<i>Commercial</i>						
Developed	23	594,526	21.19	7,018,970	112,496,315	16.0
Final Building Permit (1) (4) (5)	8	50,867	1.81	600,533	6,904,637	11.5
Building Permit	-	-	0.00	-	-	-
Undeveloped (5)	<u>14</u>	<u>375,363</u>	<u>13.38</u>	<u>4,431,531</u>	<u>18,409,870</u>	<u>4.2</u>
<b>Total</b>	<b>1,343</b>	<b>\$2,805,356</b>	<b>100.00%</b>	<b>\$33,120,000</b>	<b>\$557,451,648</b>	<b>16.83</b>

- (1) Final Building Permit parcel value is sum of assessed land value per 2005-06 tax roll and building permit value. Values for all other development categories is based on assessed value on 2005-06 tax rolls only.
- (2) A "final" building permit indicates completion of the structure. Per the City, for condominiums with addresses of 300 Dante Circle through 810 Dante Circle, final building permits given for each group of condo units, not each condo unit. Building permit value for the grouped condo building utilized.
- (3) A building permit which is not "final" indicates construction less than completion. Per the City, for condominiums with addresses of 1000 Dante Circle through 1510 Dante Circle, initial building permits given for each group of condo units, not each condo unit. Value is based solely on land values provided on 2005-06 tax rolls.
- (4) Per the City, parcels have received new APN's since 2005-06 tax rolls. Properties have received final building permits and are currently operating commercial businesses.
- (5) Two parcels on the 2005/06 tax roll have been subdivided into multiple parcels. Munifinancial calculated the maximum special tax for each new tax parcel. The land assessed value of the old parcels was spread evenly on the new resulting parcels. The new parcels were segregated into those that have received Final Building Permits and those that have not.

## Delinquencies

There are currently no property owners responsible for 5% or more of the Special Tax that are delinquent in the payment of Special Taxes. The following table is a summary of Highland Reserve North CFD Special Tax levies, delinquencies and delinquency rates in Highland Reserve North CFD for fiscal years 2003-04 and 2004-05. The following reflects actual delinquencies, although the City participates in the Teeter Plan and therefore expects to collect 100% of the Special Taxes.

### HIGHLAND RESERVE NORTH CFD Special Tax Levies, Delinquencies and Delinquency Rates Fiscal Years 2003/04 and 2004/05

Fiscal Year	Number of Parcels	Number of Parcels Delinquent	Total Special Tax	Special Tax Delinquent	% Special Tax Delinquent
2003/04	984	1	\$2,573,534	\$ 1,235	0.05
2004/05	1,055	40	2,640,143	31,730	1.20

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Source: Placer County data as of April 2005, as compiled by MuniFinancial.

## Overlapping Liens

Agencies that provide public services which overlap the boundaries of the Highland Reserve North CFD may have outstanding certificates of participation and bonds in the form of general obligation, special assessment, special tax, redevelopment or lease revenue bonds. Some impose special assessments and charges without corresponding indebtedness. In general, certificates of participation and redevelopment and lease revenue bonds do not represent obligations for which a property owner is obligated to make a direct payment representing debt service, but instead such obligations can be payable from the general fund of the issuer of such obligation or from property tax increment made available to such issuer.

The following table summarizes the direct and overlapping debt represented by the Highland Reserve North CFD Bonds and by overlapping debt of overlapping agencies.

### CITY OF ROSEVILLE HIGHLAND RESERVE NORTH CFD Direct and Overlapping Debt

2005-06 Local Secured Assessed Valuation: \$548,077,020

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 3/1/06</u>
Roseville Joint Union High School District	2.912%	\$ 1,754,458
Roseville City School District	5.693	2,231,832
City of Roseville Highland Reserve North CFD No. 1	100.000	<u>28,700,000</u> (1)
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$32,686,290
 <u>OVERLAPPING GENERAL FUND DEBT:</u>		
Placer County General Fund Obligations	1.258%	\$ 298,020
Placer County Office of Education Certificates of Participation	1.258	36,293
Sierra Joint Community College District Certificates of Participation	0.915	101,199
Roseville Joint Union High School District Certificates of Participation	3.008	180,330
Roseville City School District Certificates of Participation	6.062	1,141,172
City of Roseville Certificates of Participation	4.129	<u>1,021,308</u>
TOTAL OVERLAPPING GENERAL FUND DEBT		\$ 2,778,322
 COMBINED TOTAL DEBT		 \$35,464,612 (2)

(1) Excludes refunding Mello-Roos Act bonds to be sold.

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

#### Ratios to 2005-06 Assessed Valuation:

Direct Debt (\$28,700,000) .....	5.24%
Total Direct and Overlapping Tax and Assessment Debt .....	5.96%
Combined Total Debt .....	6.47%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/05: \$0

Source: California Municipal Statistics.

## WOODCREEK EAST CFD

### Location and Description

Pursuant to the Mello-Roos Act, the City Council adopted a resolution stating its intent to establish Woodcreek East Community Facilities District No. 1 ("**Woodcreek East CFD**"), to authorize the levy of special taxes (the "**Woodcreek East CFD Special Tax**") on land within Woodcreek East CFD, and to have Woodcreek East CFD incur bonded indebtedness. Following public hearings conducted pursuant to the Mello-Roos Act, the City Council adopted a resolution establishing Woodcreek East CFD and calling for a special election to authorize the levy of the Woodcreek East CFD Special Tax and incur bonded indebtedness in an aggregate principal amount of not-to-exceed \$6,000,000. At the special election on October 11, 2000 the qualified electors of Woodcreek East CFD authorized Woodcreek East CFD to incur bonded indebtedness and approved the levy of the Woodcreek East CFD Special Tax pursuant to the Rate and Method of Apportionment of Special Taxes (the "**Woodcreek East CFD Rate and Method**").

Woodcreek East CFD consists of approximately 180 gross acres of land, of which approximately 92 acres are public uses not subject to the Special Tax. The District has been fully developed into 350 single family residential homes.

The District is located in the northern area of the City within the City's North Industrial Plan Area, north of Blue Oaks Boulevard and approximately 1 mile west of Highway 65, immediately east of residential areas in the City's North Roseville Specific Plan Area.

### Purpose of Prior Woodcreek East CFD Bonds

On behalf of Woodcreek East CFD, the City previously issued its \$5,465,000 City of Roseville Woodcreek East Community Facilities District No. 1 Special Tax Bonds, Series 2000 (the "**Prior Woodcreek East CFD Bonds**").

The Prior Woodcreek East Bonds were issued to finance transportation improvements, water and wastewater system improvements, drainage improvements, park and open space improvements, city improvements and incidental expenses related thereto of benefit to the Woodcreek East CFD. All of the proceeds of the Prior Woodcreek East Bonds designated to be used to finance the improvements have been expended.

### Rate and Method of Apportionment of Special Taxes

The Special Tax authorized under the Act applicable to land within the District will be levied and collected according to the tax liability determined by the City through the application of the appropriate amount or rate as described in the Special Tax Formula (defined terms set forth below in this section have the meanings set forth in the Special Tax Formula) set forth in "APPENDIX C — RATE AND METHODS OF APPORTIONMENT OF SPECIAL TAXES FOR THE CFDs."

General. The Woodcreek East CFD Special Taxes are levied in accordance with the Woodcreek East CFD Rate and Method, set forth in Appendix C. Capitalized terms used below but not defined below have the meaning given them in the Woodcreek East CFD Rate and Method.

Annual Levy. Each year, the City will determine the Annual Costs of the District for the upcoming fiscal year. The "Annual Costs" include the following items (i) debt service on the Bonds; (ii) Administrative Expenses and County fees; (iii) delinquencies in Special Taxes for the previous Fiscal Year or anticipated for the current year; (iv) amounts needed to replenish the Reserve Fund and to pay for delinquencies in Special Taxes for the previous Fiscal Year or anticipated for the current year; and (v) pay-as-you-go expenditures for authorized Improvements. The Developer does not presently contemplate utilizing the pay-as-you-go component of the Special Tax Formula, however the mechanism may be utilized in the event the cost of the Improvements exceeds the amounts in the Improvement Fund available therefor and the Developer elects not to pay such deficiency from the Developer's other available sources of funds. The Annual Costs are the basis for the amount of Special Tax to be levied within the District. In no event may the City levy a Special Tax in any year above the Maximum Special Tax identified for each parcel in the Special Tax Formula.

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

Assignment of Maximum Special Tax. The Special Tax Formula describes in detail the precise method for assigning the Maximum Special Tax to parcels within the District, which generally provides that each year the City will use the definitions contained in the Special Tax Formula to classify each parcel as tax-exempt or taxable. The Special Tax Formula assigns a total maximum tax to the existing Original Parcels (as defined in the Special Tax Formula) and then reallocates the tax to Successor Parcels (as defined in the Special Tax Formula) based on pro rata share of net developable area. The Developer initially contemplated subdividing the property into seven "large lot" parcels, which are expected to be further subdivided into the contemplated 350 residential lots. Upon creation of the 350 single family residential lots, the annual Maximum Special Tax for the District was expected to be \$584,335, or \$1,669.53 per lot.

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

Prepayment of the Special Tax. The Special Tax Formula provides that landowners may permanently satisfy all or a portion of the Special Tax by a cash settlement with the City, pursuant to specific conditions, including a determination by the City that the prepayment of the Special Tax obligation does not jeopardize its ability to make timely payments of debt service on Outstanding Bonds. The amount of a Full Prepayment or a Partial Prepayment (as defined in the Special Tax Formula) is calculated according to the methodology set forth in the Special Tax Formula, and is based on determining a "Benefit Share" of anticipated costs relating to the Outstanding Bonds, fees, call premiums, and expenses incurred by the City, less a "Reserve Fund Share", as defined in the Special Tax Formula.

For the complete text of the Woodcreek East CFD Rate and Method, see "APPENDIX C - Rate and Methods of Apportionment of Special Taxes for the CFDs".

**2005-06 Assessed Valuation and Development**

For information on the 2005-06 County assessed valuation of property in the Woodcreek East CFD and other information relevant to the Woodcreek East CFD, see the 2005 Annual Continuing Disclosure Information Statement attached hereto as Appendix B.

**Valuation and Value-to-Debt Burden**

**Assessed Value of Land in Woodcreek East CFD.** The City has obtained the “full cash” assessed values of all of the taxable parcels in Woodcreek East CFD (350 parcels in total), as established by the County Assessor for Fiscal Year 2005-06, and as to the 13 parcels which are on the tax roll as unimproved, the City has added the building permit value to determine value. The estimated total valuation of the parcels in the Woodcreek East CFD is \$159,088,295 as summarized in the table below.

**Value-to-Debt Burden.** The value-to-debt burden of the taxable parcels in Woodcreek East CFD (\$159,088,295 valuation, as noted below) and the burden of the Woodcreek East CFD Special Taxes based on the Woodcreek East CFD Bonds is shown below, based on bond amounts allocable to the Woodcreek East CFD Bonds. The table describes the number of taxable parcels in the categories noted, for fiscal year 2005-06. For purposes of this Official Statement, parcels shown below are only those parcels against which Special Taxes may be levied and collected and the only burden is the burden of the Woodcreek East CFD CFD Bonds. All the parcels are single family residential.

**WOODCREEK EAST CFD  
Calculation of Special Tax Revenues by Development Category  
Value to Lien Ratio on CFD Bonds**

<u>Category</u>	<u>Number of Parcels</u>	<u>Maximum Special Tax</u>	<u>% of Max Special Tax</u>	<u>CFD Lien Corresponding to Bonds</u>	<u>Value (1)</u>	<u>Value to Lien Ratio</u>
<i>SF Residential</i>						
Developed	337	\$562,631	96.29%	\$6,013,044	\$153,123,520	25.5
Final Building Permit (1)	<u>13</u>	<u>21,704</u>	<u>3.71</u>	<u>231,956</u>	<u>5,964,775</u>	<u>25.7</u>
Total	350	\$584,335	100.00%	\$6,245,000	\$159,088,295	25.47

(1) Final Building Permit parcel value is sum of assessed land value per 2005-06 tax roll and building permit value. Values for all other development categories is based on assessed value on 2005-06 tax rolls only.

## Delinquencies

There are currently no property owners responsible for 5% or more of the Special Tax that are delinquent in the payment of Special Taxes. The following table is a summary of Woodcreek East CFD Special Tax levies, delinquencies and delinquency rates in Woodcreek East CFD for fiscal year 2004-05. The following reflect actual delinquencies, although the City participates in the Teeter Plan and therefore expects to collect 100% of the Special Taxes.

### WOODCREEK EAST CFD Special Tax Levies, Delinquencies and Delinquency Rates Fiscal Year 2004/05

Fiscal Year	Number of Parcels	Number of Parcels Delinquent	Total Special Tax	Special Tax Delinquent	% Special Tax Delinquent
2004/05	350	20	\$584,332	\$20,034	3.43

*Source: Placer County data as of April 2005, as compiled by MuniFinancial.*

## Overlapping Liens

Agencies that provide public services which overlap the boundaries of the Woodcreek East CFD may have outstanding certificates of participation and bonds in the form of general obligation, special assessment, special tax, redevelopment or lease revenue bonds. Some impose special assessments and charges without corresponding indebtedness. In general, certificates of participation and redevelopment and lease revenue bonds do not represent obligations for which a property owner is obligated to make a direct payment representing debt service, but instead such obligations can be payable from the general fund of the issuer of such obligation or from property tax increment made available to such issuer.

The following table summarizes the direct and overlapping debt represented by the Woodcreek East CFD Bonds and by overlapping debt of overlapping agencies.

**CITY OF ROSEVILLE  
WOODCREEK EAST CFD  
Direct and Overlapping Debt**

2005-06 Local Secured Assessed Valuation: \$154,751,520

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 3/1/06</u>
Roseville Joint Union High School District	0.822%	\$ 495,249
Roseville City School District	1.607	629,994
City of Roseville Woodcreek East CFD No. 1	100.000	<u>5,060,000</u> (1)
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$6,185,243
 <u>OVERLAPPING GENERAL FUND DEBT:</u>		
Placer County General Fund Obligations	0.355%	\$ 84,100
Placer County Office of Education Certificates of Participation	0.355	10,242
Sierra Joint Community College District Certificates of Participation	0.258	28,535
Roseville Joint Union High School District Certificates of Participation	0.849	50,898
Roseville City School District Certificates of Participation	1.712	322,284
City of Roseville Certificates of Participation	1.166	<u>288,410</u>
TOTAL OVERLAPPING GENERAL FUND DEBT		\$ 784,469
 COMBINED TOTAL DEBT		 \$6,969,712 (2)

(1) Excludes refunding Mello-Roos Act bonds to be sold.

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

Ratios to 2005-06 Assessed Valuation:

Direct Debt (\$5,060,000) .....	3.27%
Total Direct and Overlapping Tax and Assessment Debt ...	4.00%
Combined Total Debt .....	4.50%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/05: \$0

Source: California Municipal Statistics.

## GENERAL RISK FACTORS RELATING TO THE BONDS

### Factors Affecting Parcel Value and Aggregate Values

The facts and circumstances concerning the values of the parcels subject to the Special taxes that are of importance are not confined to those relating to individual parcel values because the CFD Bonds are not individually secured by particular parcels. The following are some of the factors which may affect the market for and value of particular parcels in the CFDs.

**Geologic, topographic and climatic conditions.** Values of parcels can be adversely affected by a variety of natural events and conditions. These include, without limitation:

- geologic conditions such as earthquakes;
- topographic conditions such as earth movements and floods; and
- climatic conditions such as droughts.

The possibility of the occurrence of some of these conditions and events has been taken into account to a limited extent in the design of public improvements which have been or may be approved by the CFD or other public agencies. Building codes require that some of these conditions be taken into account to a limited extent in the design of private improvements. Design criteria in any of these circumstances are established upon the basis of a variety of considerations and may change from time to time leaving previously designed improvements unaffected by more stringent subsequently established criteria. In general, design criteria, at the time of their establishment, reflect a balance between the present costs of protection and the future costs of lack of protection, based in part upon a present perception of the probability that the condition will occur and the seriousness of the condition should it occur. Also reflecting that balance are decisions not to impose design criteria at all.

The City expects that one or more of these conditions may occur from time to time, and, even if design criteria do exist, such conditions may result in damage to property improvements. That damage may entail significant repair or replacement costs, and repair or replacement may never occur. Under any of these circumstances, the value of the parcels in the CFDs could depreciate substantially notwithstanding the establishment of design criteria.

**Legal requirements.** Other events which may affect the value of a parcel include changes in the law or application of the law. Such changes may include, without limitation, the following:

- local growth control initiatives;
- local utility connection moratoriums;
- local application of statewide tax and governmental spending limitation measures.

**Seismic Conditions.** The CFDs, like all California communities, may be subject to unpredictable seismic activity. There are several active and potentially active fault zones that could affect the area.

### Other Possible Claims Upon the Value of a Parcel

**Other Governmental Obligations.** While the CFD Bonds are not secured by specific parcels, the security only extends to the value thereof that is not subject to priority and parity

liens and similar claims relative to the CFD Bonds (i.e., special taxes or assessments). Other governmental obligations may be authorized and undertaken or issued in the future the tax, assessment or charge for which may become an obligation of one or more of the parcels in the CFDs, and may be secured by liens on a parity with the liens of the Special Taxes.

In general, as long as installments of the Special Taxes are collected on the County tax roll, the installments and all other taxes, assessments and charges also collected on the tax roll are on a parity. Questions of priority become significant when collection of one or more of the taxes, assessments or charges is sought by some other procedure, such as foreclosure and sale. In the event of proceedings to foreclose for delinquency of Special Taxes, the Special Tax will be subordinate only to existing prior governmental liens, if any. Otherwise, in the event of such foreclosure proceedings, the Special Taxes will generally be on a parity with the other taxes, assessments and charges, and will share the proceeds of such foreclosure proceedings on a pro-rata basis.

**Hazardous substances.** While governmental taxes, assessments and charges are a common claim against the value of a parcel, other less common claims may be relevant. One of the most serious in terms of the potential reduction in the value that may be realized to pay the special taxes is a claim with regard to a hazardous substance. In general, the owners and operators of a parcel may be required by law to remedy conditions of the parcel relating to released 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 of a property is obligated to remedy a hazardous substance condition whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect therefore, should any of the parcels be affected by a hazardous substance, is to reduce the marketability and value of the parcel by the costs of remedying the condition.

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

**Endangered and Threatened Species.** It is illegal to harm or disturb any animals in their habitat that have been listed as an endangered species by the United States Fish & Wildlife Service under the Federal Endangered Species Act or by the California Fish & Game Commission under the California Endangered Species Act without a permit. Thus, the presence of an endangered plant or animal could delay development of vacant property in Highland Reserve North CFD or reduce the value of undeveloped property. Failure to develop such vacant property as planned, or substantial delays in the completion of the planned development of the property may increase the amount of Special Taxes and effect the willingness and ability of the owners of property within Highland Reserve North CFD to pay the Special Taxes when due (the Woodcreek East CFD has no undeveloped property).

## **Bankruptcy and Foreclosure Delays**

**Bankruptcy.** The payment of the Special Taxes and the ability of the City to foreclose the lien of a delinquent unpaid Special Taxes, as discussed in "SECURITY FOR THE BONDS," may be limited by bankruptcy, insolvency or other laws generally affecting creditors' rights or by the laws of the State of California relating to judicial foreclosure. The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel's approving legal opinion) will be qualified as to the enforceability of the various legal instruments by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights, by the application of equitable principles and by the exercise of judicial discretion in appropriate cases.

Although bankruptcy proceedings would not cause the Special Taxes to become extinguished, bankruptcy of a property owner or any other person claiming an interest in a property subject to the Special Taxes could result in a delay in superior court foreclosure proceedings and could result in the possibility of Special Tax installments not being paid in part or in full. Such a delay would increase the likelihood of a delay or default in payment of the principal of and interest on the Bonds.

**Property Owned by FDIC.** In addition, the ability of the City to foreclose upon the lien on property for delinquent Special Taxes may be limited for properties in which the Federal Deposit Insurance Corporation (the "FDIC") has an interest. On November 26, 1996, the FDIC adopted a Statement of Policy Regarding the Payment of State and Local Property Taxes (the "Policy Statement") (which superseded a prior statement issued by the FDIC and the Resolution Trust Corporation in 1991). The Policy Statement applies to the FDIC when it is liquidating assets in its corporate and receivership capacities. The Policy Statement provides, in part, that real property of the FDIC is subject to state and local real property taxes if those taxes are assessed according to the property's value, and that the FDIC is immune from ad valorem real property taxes assessed on other bases. The Policy Statement also provides that the FDIC will pay its proper tax obligations when they become due and will pay claims for delinquencies as promptly as is consistent with sound business practice and the orderly administration of the institution's affairs, unless abandonment of the FDIC interest in the property is appropriate. It further provides that the FDIC will pay claims for interest on delinquent property taxes owned at the rate provided under state law, but only to the extent the interest payment obligation is secured by a valid lien. The FDIC will not pay for any fines or penalties and will not pay nor recognize liens for such amounts. The Policy Statement also provides that 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. No property of the FDIC is subject to levy, attachment, garnishment, foreclosure or sale without the FDIC's consent. In addition, a lien for taxes and interest may attach, but the FDIC will not permit a lien or security interest held by the FDIC to be eliminated by foreclosure without the FDIC's consent.

With respect to challenges to assessments, the Policy Statement provides: "The (FDIC) is only liable for state and local taxes which are based on the value of the property during the period for which the tax is imposed, notwithstanding the failure of any person, including prior record owners, to challenge an assessment under the procedures available under state law. In the exercise of its business judgment, the (FDIC) may challenge assessments which do not conform with the statutory provisions, and during the challenge may pay tax claims based on the assessment level deemed appropriate, provided such payment will not prejudice the challenge. The (FDIC) will generally limit challenges to the current and immediately preceding taxable year and to the pursuit of previously filed tax protests. However, the (FDIC) may, in the

exercise of its business judgment, challenge any prior taxes and assessments provided that (1) the (FDIC's) records (including appraisals, offers or bids received for the purchase of the property, etc.) indicate that the assessed value is clearly excessive, (2) a successful challenge will result in a substantial savings to the (FDIC), (3) the challenge will not unduly delay the sale of the property, and (4) there is a reasonable likelihood of a successful challenge.”

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 simple interest unless the amount of tax is fixed at the time the FDIC acquires its fee simple interest in the property, nor will the FDIC recognize the validity of any lien to the extent it purports to secure the payment of any such amounts. Because the Special Taxes are neither ad valorem taxes nor special assessments, and because they are levied under a special tax formula under which the amount of the Special Tax is determined each year, the Special Taxes appear to fall within the category of taxes the FDIC generally will not pay under the Policy Statement.

Following the County of Orange bankruptcy proceedings filed in December 1994, the FDIC filed claims against the County of Orange in the U.S. Bankruptcy Court and the Federal District Court which challenged special taxes that Orange County had levied on FDIC-owned property (and which the FDIC had paid). The FDIC took a position similar to that outlined in the Policy Statement, to the effect that the FDIC, as a governmental entity, is exempt from special taxes under the Mello-Roos Act. The Bankruptcy Court agreed, finding that the FDIC was not liable for post-receivership Mello-Roos taxes, and the Bankruptcy Appellate Panel affirmed. On appeal, the U.S. Court of Appeals for the Ninth Circuit, while not specifically asked to decide on the issue, stated in its decision filed on August 28, 2001, that “the FDIC, as a federal agency, is exempt from the Mello-Roos tax,” and quoted Section 53340(c) of the Mello-Roos Act in stating that “‘properties or entities’ of the federal government are exempt from the tax.”

The City is unable to predict what effect the application of the Policy Statement, or the ultimate outcome of the County of Orange case, would have in case of a Special Tax delinquency on a parcel in which the FDIC has an interest. However, prohibiting the judicial foreclosure sale of a FDIC-owned parcel would likely reduce the number of 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 parcels of land in the CFDs owned by the FDIC. Such an outcome could cause a draw on the Reserve Funds and perhaps, ultimately, a default in payment of the Bonds.

### **Proposition 218**

Under the California Constitution, the power of initiative is reserved to the voters for the purpose of enacting statutes and constitutional amendments. Over the past 18 years, the voters have exercised this power through the adoption of Proposition 13 and similar measures. On November 5, 1996, the voters approved Proposition 218.

Any such initiative may affect the collection of fees, taxes and other types of revenue by local agencies such as the City. Subject to overriding federal constitutional principles, such collection may be materially and adversely affected by voter-approved initiatives, possibly to the extent of creating cash-flow problems in the payment of outstanding obligations such as the Bonds.

Proposition 218—Voter Approval for Local Government Taxes—Limitation on Fees, Reassessments, and Charges—Initiative Constitutional Amendment, added Articles XIII C and XIII D to the California Constitution, imposing certain vote requirements and other limitations on

the imposition of new or increased taxes, assessments and property-related fees and charges. Proposition 218 states that all taxes imposed by local governments shall be deemed to be either general taxes or special taxes. Special purpose districts, including assessment districts and community facilities districts, have no power to levy general taxes. No local government may impose, extend or increase any general tax unless and until such tax is submitted to the electorate and approved by a majority vote. No local government may impose, extend or increase any special tax unless and until such tax is submitted to the electorate and approved by a two-thirds vote.

Proposition 218 also provides that no tax, assessment, fee or charge shall be assessed by any agency upon any parcel of property or upon any person as an incident of property ownership except: (i) the ad valorem property tax imposed pursuant to Article XIII and Article XIII A of the California Constitution, (ii) any special tax receiving a two-thirds vote pursuant to the California Constitution, and (iii) assessments, fees and charges for property related services as provided in Proposition 218. Proposition 218 then goes on to add voter requirements for assessments and fees and charges imposed as an incident of property ownership, other than fees and charges for sewer, water, and refuse collection services. In addition, all assessments and fees and charges imposed as an incident of property ownership, including sewer, water, and refuse collection services, are subjected to various additional procedures, such as hearings and stricter and more individualized benefit requirements and findings. The effect of such new provisions will presumably be to increase the difficulty a local agency will have in imposing, increasing or extending such reassessments, fees and charges.

Among other things, Section 3 of Article XIIC 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.” The Act 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.

On July 1, 1997, a bill was signed into law by the Governor of the State enacting Government Code Section 5854, which states that:

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

Therefore, although the matter is not free from doubt, it is likely that Proposition 218 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 CFD Bonds with the procedural requirements of, Article XIID of the California Constitution.”

The Special Taxes were authorized by not less than a two-thirds vote of the landowners within the CFDs who constituted the qualified electors of the CFDs at the time of such voted authorization. The City believes, therefore, that issuance of the CFD Bonds does not require the conduct of further proceedings under the Mello-Roos Act or Proposition 218.

Like its antecedents, Proposition 218 is likely to undergo both judicial and legislative scrutiny before its impact on the City and its obligations can be determined. Certain provisions of Proposition 218 may be examined by the courts for their constitutionality under both State

and federal constitutional law. Neither the City nor the Authority is able to predict the outcome of any such examination.

### **Payment of the Special Taxes is Not a Personal Obligation**

The owners of Taxable Property in the CFDs are not personally liable for the payment of the Special Taxes. Rather, the Special Taxes are obligations only of the Taxable Property, as applicable. If the value of a parcel of Taxable Property is not sufficient to fully secure the Special Taxes on it, as applicable, neither the City nor the Authority has any recourse against the owner.

### **Limited Obligation to Pay Debt Service**

Neither the Authority nor the City has any obligation to pay principal of and interest on the Bonds if Special Tax collections are insufficient for that purpose, other than from amounts, if any, on deposit in the Reserve Funds. Neither the City nor the Authority is obligated to advance its own funds to pay debt service on the Bonds.

### **Depletion of Reserve Funds**

The Reserve Funds are to be maintained at an amount equal to the applicable Reserve Requirement. See "SECURITY FOR THE BONDS – Reserve Funds." Funds in the Reserve Funds may be used to pay principal of and interest on the Bonds if insufficient funds are available from the proceeds of the levy and collection of the Special Taxes. If funds in the Reserve Funds for the Bonds are depleted, the funds can be replenished from the proceeds of the levy and collection of the Special Tax that are in excess of the amount required to pay all amounts to be paid to the Bond holders pursuant to the Indenture. However, no replenishment from the proceeds of Special Taxes can occur as long as the proceeds that are collected, together with other available funds, remain insufficient to pay all such amounts. Thus it is possible that the Reserve Funds will be depleted and not replenished. *Furthermore, neither the Bonds nor the CFD Bonds are not cross-collateralized. In other words, funds in the Series A Reserve Fund cannot be used to pay debt service on the Series B Bonds, and vice versa. Moreover, annual Special Taxes from one CFD, and payment of debt service on one CFD Bond, cannot be used to cover any shortfall in the payment of debt service, or replenishment of the applicable reserve accounts, on the other CFD Bond.*

### **No Acceleration**

The principal of the CFD Bonds will not be subject to acceleration under the provisions of the Bond Indentures under which they are being issued.

### **Limitations on Remedies**

Remedies available to the owners of the Bonds 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 other similar laws affecting generally the enforcement of creditors' rights, by equitable principles and by the exercise of

judicial discretion. 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 of the Bonds.

### **Loss of Tax Exemption**

As discussed under the caption "LEGAL MATTERS – Tax Matters," interest on the Bonds might become includable in gross income for purposes of federal income taxation retroactive to the date the Bonds were issued as a result of future acts or omissions of the Authority or the City in violation of their covenants in the Indenture and the CFD Indentures. Neither the Indenture nor the CFD Indentures contain a special redemption feature triggered by the occurrence of an event of taxability. As a result, if interest on the Bonds were to be includable in gross income for purposes of federal income taxation, the Bonds would continue to remain outstanding until maturity unless earlier redeemed pursuant to optional or mandatory redemption or redemption.

### **Secondary Market**

There can be no guarantee that there will be a secondary market for the Bonds, or, if a secondary market exists, that such Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

### **Disclosure to Future Purchasers**

The City has recorded notices of the Special Tax liens in the Office of the Placer County Recorder. 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 purchaser or lender will consider such Special Tax obligation in the purchase of a parcel of land or a home in a CFD or the lending of money thereon. The Mello-Roos Act requires the subdivider (or its agent or representative) of a subdivision to notify a prospective purchaser or long-term lessor of any lot, parcel, or unit subject to a Mello-Roos special tax of the existence and maximum amount of such special tax using a statutorily prescribed form. California Civil Code Section 1102.6b requires that in the case of transfers other than those covered by the above requirement, the seller must at least make a good faith effort to notify the prospective purchaser of the special tax lien in a format prescribed by statute. Failure by an owner of the property to comply with the above requirements, or failure by a purchaser or lessor to consider or understand the nature and existence of the Special Taxes, could adversely affect the willingness and ability of the purchaser or lessor to pay the Special Taxes when due.

### **Levy and Collection of the Special Tax**

The principal source of payment of principal of and interest on the CFD Bonds is the proceeds of the annual levy and collection of the Special Tax against property within the CFDs. The annual levy of the Special Taxes is subject to the maximum tax rates authorized. The levy cannot be made at a higher rate even if the failure to do so means that the estimated proceeds of the levy and collection of the Special Taxes, together with other available funds, will not be sufficient to pay debt service on the corresponding CFD Bonds. Other funds which might be available include funds derived from the payment of penalties on delinquent Special Taxes and

funds derived from the tax sale or foreclosure and sale of parcels on which levies of the Special Tax are delinquent.

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

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

(1) Reduction in the number of taxed parcels, for such reasons as acquisition of taxed parcels by a government and failure of the government to pay the Special Tax based upon a claim of exemption or, in the case of the federal government or an agency thereof, immunity from taxation, thereby resulting in an increased tax burden on the remaining taxed parcels.

(2) Failure of the owners of taxed parcels to pay the Special Tax and delays in the collection of or inability to collect the Special Tax by tax sale or foreclosure and sale of the delinquent parcels, thereby resulting in an increased tax burden on the remaining parcels.

(3) Development of a parcel of Taxable Property more rapidly than development of other parcels of Taxable Property, thereby resulting in the application of development factors in the Special Tax formula to the parcel and resulting in an increased tax burden on the parcel of Taxable Property.

(4) Development of other parcels of Taxable Property less rapidly than expected, thereby resulting in delay in application of development factors in the Special Tax formula to the other parcels of Taxable Property and resulting in an increased tax burden on the parcel of Taxable Property.

The CFD Indentures provide that the Special Taxes are to be collected in the same manner as ordinary *ad valorem* property taxes are collected and, except as provided in the special covenant for foreclosure described in "SECURITY FOR THE CFD BONDS – Covenants of the City – Commence Foreclosure Proceedings" and in the Mello-Roos Act, is subject to the same penalties and the same procedure, sale and lien priority in case of delinquency as is provided for *ad valorem* property taxes. Pursuant to these procedures, if taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the County.

In the event that sales or foreclosures of property are necessary, there could be a delay in payments to owners of the Bonds pending such sales or the prosecution of foreclosure proceedings and receipt by the City of the proceeds of sale if the Reserve Fund is depleted. See "SECURITY FOR THE CFD BONDS - Covenants of the City – Commence Foreclosure Proceedings."

## **Exempt Properties**

Certain properties are exempt from the Special Taxes in accordance with the Rates and Methods. In addition, the Mello-Roos Act provides that properties or entities of the state, federal or local government are exempt from Special Taxes; provided, however, that property within a CFD acquired by a public entity through a negotiated transaction or by gift or devise, which is not otherwise exempt from a Special Tax, will continue to be subject to the Special Tax. It is possible that property acquired by a public entity following a tax sale or foreclosure based upon failure to pay taxes could become exempt from the Special Tax. In addition, although the Mello-Roos 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, the constitutionality and operation of these provisions of the Mello-Roos Act have not been tested, meaning that such property could become exempt from the Special Tax. In the event that additional property is dedicated to the School District or other public entities, this additional property might become exempt from the Special Tax.

The Mello-Roos Act further provides that no other properties or entities are exempt from the Special Tax unless the properties or entities are expressly exempted in a resolution of consideration to levy a new special tax or to alter the rate or method of apportionment of an existing special tax.

## **Subordinate Nature of Series B Bonds**

The Series B Bonds are subordinate to the Series A Bonds in priority and right of payment. Subordinate Revenues will be available to pay obligations on the Series B Bonds only after all payments and deposits in respect of the Series A Bonds have been made as set forth herein and in the Indenture. In the event of delinquencies in the payment of Special Taxes, there may not be sufficient Subordinate Revenues available to pay interest or principal due on any or all of the Series B Bonds then Outstanding.

## **No Rating of Series B Bonds**

The Series B Bonds are not rated by any rating agency, and the Authority does not presently intend to seek any rating of the Series B Bonds nor does the Authority anticipate that the Series B Bonds would qualify for an investment grade rating due to the structure and size of the Series A Bonds.

# **LEGAL MATTERS**

## **Tax Matters**

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, provided, 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 paragraph are subject to the condition that the Authority and the City comply with all requirements of the Internal Revenue Code of 1986 (the "Tax Code") that must be satisfied subsequent to the issuance of the Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The Authority and the City have covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds.

If the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which each Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes. De minimis original issue discount and original issue premium is disregarded. Owners of Bonds with original issue discount or original issue premium, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to federal income tax and State of California personal income tax consequences of owning such Bonds.

In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes.

Owners of the Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Bonds other than as set forth in their opinion, the proposed form of which is set forth in APPENDIX E.

### **Absence of Litigation**

The Authority and the City will certify at the time the Bonds are issued that no litigation is pending or threatened concerning the validity of the Bonds or the CFD Bonds and that no action, suit or proceeding is known by the Authority or the City to be pending that would restrain or enjoin the delivery of the Bonds or the CFD Bonds, or contest or affect the validity of the Bonds or the CFD Bonds or any proceedings of the Authority or the City taken with respect to the Bonds or the CFD Bonds.

### **Legal Opinion**

All proceedings in connection with the issuance of the Bonds are subject to the approval as to their legality of Jones Hall, A Professional Corporation, San Francisco, California, Bond Counsel in connection with the Bonds. The unqualified opinion of Bond Counsel approving the validity of the Bonds will be attached to each Bond. Bond Counsel's employment is limited to a review of legal procedures required for the approval of the Bonds and to rendering an opinion as to the validity of the Bonds and the exemption of interest on the Bonds from income taxation. Jones Hall, A Professional Law Corporation, San Francisco, California is also serving as Disclosure Counsel.

*Payment of the fees of Bond Counsel and Disclosure Counsel is contingent upon issuance of the Bonds.*

## THE AUTHORITY

The Authority was established under Sections 6500 et seq. of the California Government Code and a Joint Exercise of Powers Agreement originally entered into as of July 1, 1989 and amended and restated as of July 1, 1997, by and between the City and the Redevelopment Agency of the City of Roseville.

The Authority was established for the purpose of financing the acquisition, construction, improvement and equipping of public capital improvements. The governing board of the Authority is the City Council of the City.

## MISCELLANEOUS

### Ratings

**Series A Bonds.** Standard & Poor's Ratings Service ("**S&P**") has assigned its municipal bond rating of "AAA" to the Series A Bonds with the understanding that upon execution and delivery of such Series A Bonds the Financial Guaranty Insurance Policy insuring the payment when due of the principal and interest on Series A Bonds will be issued by Ambac Assurance. Such ratings reflect only the views of such organization and an explanation of the significance of such rating may be obtained from S&P. There is no assurance that such ratings will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by such organization, if in its judgment circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Series A Bonds.

**Series B Bonds.** The Series B Bonds are not rated. The Series B Bonds are not insured by Ambac Assurance.

### Verification of Mathematical Accuracy

The Arbitrage Group, Tuscaloosa, Alabama, independent accountants, upon delivery of the Bonds, will deliver a report on the mathematical accuracy of certain computations, contained in schedules provided to them which were prepared by the City, relating to the sufficiency of moneys and securities deposited into the Escrow Funds to pay, when due, the principal, whether at maturity or upon prior prepayment, interest and prepayment premium requirements of the Prior Bonds.

The report of The Arbitrage Group will include the statement that the scope of its engagement is limited to verifying the mathematical accuracy of the computations contained in such schedules provided to it, and that it has no obligation to update its report because of events occurring, or data or information coming to its attention, subsequent to the date of its report.

## Underwriting

The Bonds were awarded to UBS Financial Services Inc. pursuant to a competitive sale at the following purchase prices:

**Series A Bonds:** a purchase price of \$36,046,040.55 (being the aggregate principal amount thereof (\$35,870,000), less an underwriter's discount of \$215,220.00, plus an original issue premium of \$391,260.55) .

**Series B Bonds:** a purchase price of \$4,555,849.75 (being the aggregate principal amount thereof (\$4,645,000), less an underwriter's discount of \$58,062.50, less an original issue discount of \$31,087.75).

## Additional Information

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive, and reference is made to such documents and reports for full and complete statements of the contents thereof.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or Owners of any of the Bonds.

The execution and delivery of this Official Statement has been duly authorized by the Authority and the City.

ROSEVILLE FINANCING AUTHORITY

By:     /s/ Russell Cochran Branson      
Treasurer

CITY OF ROSEVILLE, for and on behalf of  
HIGHLAND RESERVE NORTH CFD and  
WOODCREEK EAST CFD

By     /s/ Russell Cochran Branson      
Administrative Services Director/Treasurer

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## APPENDIX A

### SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS

#### INDENTURE OF TRUST RELATING TO THE BONDS

*The following is a summary of certain provisions of the Indenture of Trust relating to the Bonds not otherwise described in the text of this Official Statement. Such summary is not intended to be definitive, and reference is made to the full text of the Indenture of Trust for the complete terms thereof.*

##### Certain 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, as it may hereafter be amended from time to time.

“Annual Debt Service” means, for each Bond Year, the sum of (a) the interest payable on the Outstanding Bonds of a Series in such Bond Year, and (b) the principal amount of the Outstanding Bonds of a Series scheduled to be paid in such Bond Year.

“Authority Administrative Expenses” means the fees and expenses of the Trustee, including legal fees and expenses (including fees and expenses of outside counsel and the allocated costs of internal attorneys) and the out of pocket expenses incurred by the Trustee, the City and the Authority in carrying out their duties under the Indenture including payment of amounts payable to the United States pursuant to the Indenture and any costs associated with the increase or decrease in the balance held in the Reserve Funds (whether in connection with the prepayment of Special Taxes or otherwise).

“Authorized Officer” means (i) with respect to the Authority, the Chairman, Executive Director, Secretary or Treasurer of the Authority or any other Person authorized by the Authority to perform an act or sign a document on behalf of the Authority for purposes of the Indenture and (ii) with respect to the City, its City Manager, Administrative Services Director/Treasurer or City Clerk, or any other Person authorized by the City to perform an act or sign a document on behalf of the City for purposes of the Indenture.

“Bond Counsel” means Jones Hall, A Professional Law Corporation, and its successors; or any other attorney at law or firm of attorneys selected by the Authority, of nationally recognized standing in matters pertaining to the federal tax exemption of interest on bonds issued by states and political subdivisions, and duly admitted to practice law before the highest court of any state of the United States of America.

“Bond Insurance Policy” means that financial guaranty insurance policy to be issued by the Bond Insurer insuring the payment when due of the principal of and interest on the Series A Bonds as provided therein.

“Bond Insurer” means Ambac Assurance Corporation, a Wisconsin domiciled stock insurance corporation, and its successors and assigns.

“Bond Law” means the Marks Roos Local Bond Pooling Act of 1985, constituting Article 4 of the Act (commencing with Section 6584), as it may hereafter be amended from time to time.

“Bond Register” means the registration books for the Bonds maintained by the Trustee in accordance with the Indenture.

“Bond Year” means each twelve month period extending from September 2 in one calendar year to September 1 of the succeeding calendar year, except in the case of the initial Bond Year which shall be the period from the Closing Date to September 1, 2006, both dates inclusive.

“Business Day” means a day which is not a Saturday or Sunday or a day of the year on which the New York Stock Exchange or banks in New York, New York or Los Angeles, California, or where the Trust Office is located, are not required or authorized to remain closed.

“Certificate of the Authority” means a certificate in writing signed by an Authorized Officer of the Authority.

“CFD Act” means the Mello-Roos Community Facilities Act of 1982, constituting Chapter 2.5 (commencing with Section 53311), Article 1 of Division 2 of Title 5 of the Government Code of that State of California, as amended from time to time.

“CFD Indentures” means the Bond Indentures pursuant to which the CFD Bonds are issued.

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

“Dated Date” means the Closing Date.

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

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

“DTC Participants” means securities brokers and dealers, banks, trust companies, clearing corporations and other organizations maintaining accounts with DTC.

“Event of Default” means any Series A Event of Default or Series B Event of Default.

“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 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 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) any commingled investment fund in which the Authority and related parties do not own more than a ten percent (10%) beneficial interest therein if the return paid by the fund is without regard to the source of the investment.

“Federal Securities” means any of the following:

(a) Cash (insured at all times by the Federal Deposit Insurance Corporation).

(b) Obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S. including:

- U.S. treasury obligations
- All direct or fully guaranteed obligations
- Farmers Home Administration
- General Services Administration
- Guaranteed Title XI financing
- Government National Mortgage Association (GNMA)
- State and Local Government Series

“Fiscal Year” means any twelve month period extending from July 1 in one calendar year to June 30 of the succeeding calendar year, both dates inclusive, or any other twelve month period selected and designated by the Authority as its official fiscal year period.

“Independent Accountant” means any accountant or firm of such accountants appointed and paid by the Authority, and who, or each of whom –

(a) is in fact independent and not under domination of the Authority or the City;

(b) does not have any substantial interest, direct or indirect, in the Authority or the City; and

(c) is not an officer or employee of the Authority, or the City, but who may be regularly retained to make annual or other audits of the books of or reports to the Authority or the City.

“Independent Financial Consultant” means any financial consultant or firm of such consultants appointed and paid by the Authority, and who, or each of whom –

(a) is in fact independent and not under domination of the Authority or the City;

(b) does not have any substantial interest, direct or indirect, in the Authority or the City; and

(c) is not an officer or employee of the Authority or the City, but who may be regularly retained to make annual or other audits of the books of or reports to the Authority or the City.

“Information Services” means Financial Information, Inc.'s "Daily Called Bond Service", 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; FIS/Mergent, Inc., 5250 77 Center Drive, Suite 150, Charlotte, North Carolina 28217, Attn: Call Notification; Standard & Poor's Securities Evaluation, Inc., 55 Water Street, 45th Floor, New York, New York 10041, Attention: Notification Department; Xcitek, 5 Hanover Square, 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 the redemption of bonds as the Authority may designate in a Certificate of the Authority filed with the Trustee.

“Interest Payment Date” means March 1 and September 1 in each year, beginning September 1, 2006, and continuing thereafter so long as any Bonds remain Outstanding.

“Maximum Annual Debt Service” means, as of the date of any calculation, the largest Annual Debt Service on a Series during the current or any future Bond Year.

“Moody’s” means Moody's Investors Service, its successors and assigns.

“Outstanding”, when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture relating to defeasance) all Bonds theretofore executed and issued by the Authority and authenticated and delivered by the Trustee under the Indenture (including any Series A Bonds with respect to which the Bond Insurer has paid the principal of and interest) *except* –

(a) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation pursuant to the Indenture;

(b) Bonds paid or deemed to have been paid within the meaning of the defeasance provisions of the Indenture or Bonds called for redemption for which funds have been provided as described in Indenture; and

(c) Bonds in lieu of or in substitution for which other Bonds shall have been executed, issued and delivered pursuant to the Indenture or any Supplemental Indenture.

“Owner” or “Bond Owner”, when used with respect to any Bond, means the person in whose name the ownership of such Bond shall be registered on the Bond Register.

“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, but only to the extent that the same are acquired at Fair Market Value:

(a) Federal Securities;

(b) obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:

- Export-Import Bank;
- Rural Economic Community Development Administration (formerly the Farmers Home Administration);
- U.S. Maritime Administration;
- Small Business Administration;
- U.S. Department of Housing & Urban Development (PHAs);
- Federal Housing Administration;
- Federal Financing Bank;

(c) direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:

—Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC);

—Obligations of the Resolution Funding Corporation (REFCORP);

—Senior debt obligations of the Federal Home Loan Bank System;

—Senior debt obligations of other agencies sponsored by the federal government approved by the Bond Insurer;

(d) U.S. dollar denominated deposit accounts, federal funds and bankers’ acceptances with domestic commercial banks, including the Trustee and its affiliates, which have a rating on their short-term certificates of deposit on the date of purchase of “A-1” or “A-1+” by S&P and “P-1” by Moody’s and maturing no more than 360 calendar days after the date of purchase (ratings on holding companies are not considered as the rating of the bank);

(e) commercial paper which is rated at the time of purchase in the single highest classification, "A-1+" by S&P and "P-1" by Moody's, and which matures not more than 270 calendar days after the date of purchase;

(f) investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P, including funds for which the Trustee or its affiliates receive fees for investment advisory or other services to the fund;

(g) pre-refunded municipal obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(i) which are rated, based on an irrevocable escrow account or fund (the "Escrow"), in the highest rating category of S&P and Moody's or any successors thereto; or

(ii) (A) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in clause (b) of the definition of Federal Securities, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate; and (B) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

(h) municipal obligations rated "Aaa/AAA" or general obligations of states with a rating of least "A2/A" or higher by both Moody's and S&P;

(i) investment agreements approved in writing by the Bond Insurer (supported by appropriate opinions of counsel);

(j) other forms of investments, including repurchase agreements, approved in writing by the Bond Insurer; and

(k) the Local Agency Investment Fund of the State of California.

"Project" means the improvements, the acquisition and construction of which is financed with proceeds of the Bonds.

"Proportionate Share" means, as of the date of calculation for any issue of the Local Obligations, the ratio derived by dividing the outstanding principal amount of such Local Obligations by the aggregate principal amount of the Outstanding Local Obligations.

"Qualified Reserve Fund Credit Instrument" means an irrevocable standby or direct-pay letter of credit or surety bond issued by a commercial bank or insurance company and deposited with the Trustee, provided that all of the following requirements are met: (a) the long-term credit rating of such bank or insurance company is in one of the two highest rating categories by S&P and Moody's; (b) such letter of credit or surety bond has a term of at least twelve (12) months; (c) such letter of credit or surety bond has a stated amount at least equal to the portion of the Series A Reserve Requirement or the Series B Reserve Requirement, as applicable, with respect to which funds are proposed to be released; (d) the Trustee is authorized pursuant to the terms of such letter of credit or surety bond to draw thereunder an amount equal to any deficiencies which may exist from time to time in the Series A Interest Account, the Series A Principal Account, the Series B Interest Account or the Series B Principal Account, as applicable, for the purpose of making payments; (e) written notice of the posting of such Qualified

Reserve Fund Credit Instrument is given to S&P and Moody's; and (f) such letter of credit or surety bond is approved by the Bond Insurer.

"Record Date" means, with respect to any Interest Payment Date, the fifteenth calendar day of the month preceding the month in which such Interest Payment Date occurs, whether or not such day is a Business Day.

"Request of the Authority" means a written request executed by an Authorized Officer of the Authority.

"Reserve Requirement" means, collectively, the Series A Reserve Requirement and the Series B Reserve Requirement.

"Responsible Officer" means any officer of the Trustee assigned to administer the Trustee's duties under the Indenture.

"Revenues" means: (a) all amounts received from the Local Obligations; (b) any proceeds of the Series A Bonds originally deposited with the Trustee and all moneys deposited and held from time to time by the Trustee in the funds and accounts established under the Indenture with respect to the Series A Bonds (other than the Rebate Fund and the Surplus Fund); and (c) investment income with respect to any moneys held by the Trustee in the funds and accounts established under the Indenture with respect to the Series A Bonds (other than investment income on moneys held in the Rebate Fund and the Surplus Fund).

"Securities Depositories" means The Depository Trust Company, 55 Water Street, 50th Floor, New York, NY 10041-0099 Attn. Call Notification Department, Fax (212) 855-7232; 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 Certificate of the Authority delivered to the Trustee.

"Series" means each of the Series A Bonds and the Series B Bonds issued pursuant to the Indenture.

"Series A Event of Default" means any of the events described in the section of the Indenture entitled "Series A Events of Default".

"Series A Reserve Requirement" means, initially, \$2,677,884.99 and after September 1, 2006, an amount equal to the least of (i) 10% of the initial principal amount of the Series A Bonds, (ii) Maximum Annual Debt Service on the Outstanding Series A Bonds, or (iii) 125% of Average Annual Debt Service on the Outstanding Series A Bonds.

"Series B Event of Default" means any of the events described in the section of the Indenture entitled "Series B Events of Default".

"Series B Reserve Requirement" means, initially, \$346,773.79 and thereafter increasing from the addition of investment earnings on moneys in the Series B Reserve Fund, until such amount equals the least of (i) 10% of the initial principal amount of the Series A Bonds, (ii) Maximum Annual Debt Service on the Outstanding Series A Bonds, or (iii) 125% of Average Annual Debt Service on the Outstanding Series B Bonds; the least of (i), (ii) or (iii) shall thereafter be the Series B Reserve Requirement.

"Special Taxes" means the taxes authorized to be levied by the CFDs on parcels within the CFDs which have been pledged to repay the CFD Bonds pursuant to the CFD Act.

"Subordinated Revenues" means (a) any proceeds of the Series B Bonds originally deposited with the Trustee, (b) all amounts remaining in the Revenue Fund on each September 1 after the deposits

required by the Indenture have been made, (c) all moneys deposited and held from time to time by the Trustee in the funds and accounts established under the Indenture with respect to the Series B Bonds (other than the Rebate Fund and the Surplus Fund); and (d) investment income with respect to any moneys held by the Trustee in the funds and accounts established under the Indenture with respect to the Series B Bonds (other than investment income on moneys held in the Rebate Fund and the Surplus Fund).

“Supplemental Indenture” means any indenture, agreement or other instrument hereafter duly executed by the Authority in accordance with the Indenture.

“Trust Office” means the office of the Trustee at which at any particular time its corporate trust business shall be principally administered, which office at the date of the Indenture is located in San Francisco, California, or such other place as designated by the Trustee except that with respect to presentation of Bonds for payment or for registration of transfer and exchange, such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business shall be conducted.

“Trustee” means The Bank of New York Trust Company, N.A., and its successors and assigns, and any other corporation or association which may at any time be substituted in its place as provided in the Indenture.

#### Pledge of Revenues.

Subject to certain provisions of the Indenture relating to defeasance and amounts payable to the Trustee, the Series A Bonds shall be secured by a first lien on and pledge of all of the Revenues. The Series A Bonds shall be equally secured by a pledge, charge and lien upon the Revenues without priority for any Series A Bond over any other Series A Bond; and the payment of the interest on and principal of the Series A Bonds and any premiums upon the redemption of any Series A Bonds shall be and are secured by an exclusive pledge, charge and lien upon the Revenues. So long as any of the Bonds are Outstanding, the Revenues shall not be used for any purpose except as is expressly permitted by the Indenture.

Subject to certain provisions of the Indenture relating to defeasance and amounts payable to the Trustee, the Series B Bonds shall be secured by a first lien on and pledge of all of the Subordinated Revenues. The Series B Bonds shall be equally secured by a pledge, charge and lien upon the Subordinated Revenues without priority for any Series B Bonds over any other Series B Bonds; and the payment of the interest on and principal of the Series B Bonds and any premiums upon the redemption of any Series B Bonds shall be and are secured by an exclusive pledge, charge and lien upon the Subordinated Revenues. So long as any of the Bonds are Outstanding, the Subordinated Revenues shall not be used for any purpose except as is expressly permitted by the Indenture.

The Authority transfers in trust, grants a security interest in and assigns to the Trustee, for the benefit of the Owners from time to time of the Series A Bonds and Series B Bonds, respectively, all of the Revenues and Subordinated Revenues, respectively, and all of the right, title and interest of the Authority in the Local Obligations, subject to the terms of the Indenture. The Trustee shall be entitled to and shall collect and receive all of the Revenues and Subordinated Revenues, and any Revenues and Subordinated Revenues collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and shall forthwith be paid by the Authority to the Trustee. Subject to the provisions of the Indenture relating to Series A Bonds and the rights of the Bond Insurer, the Trustee also shall be entitled to and shall take all steps, actions and proceedings reasonably necessary in its judgment 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 the Local Obligations.

Upon the deposit with the Trustee of moneys sufficient to pay all principal of, premium, if any, and interest on the Series A Bonds or the Series B Bonds, respectively, and upon satisfaction of all claims against the Authority under the Indenture with respect to a Series, including all fees, charges and expenses of the Trustee and the Authority which are properly payable under the Indenture, or upon the making of adequate provisions for the payment of such amounts as permitted, all moneys remaining in all funds and accounts pertaining to such respective Series of Bonds, (except any amounts on deposit in the Rebate Fund and the Surplus Fund and except moneys necessary to pay principal of, premium, if any, and interest on such Series of Bonds, which moneys shall be held by the Trustee pursuant to the defeasance provisions of the Indenture), shall no longer be considered Revenues and are not pledged to repay the Bonds. Such amounts shall be transferred to the trustee for each issue of then outstanding Local Obligations proportionately based on their respective Proportionate Share. In the event that the Local Obligations have been paid or defeased, then any such amounts shall be paid by the Trustee to the Authority to be used by the Authority for any lawful purpose.

#### Provisions Relating to Investments of Moneys in the Funds and Accounts.

All moneys in any of the funds or accounts established with the Trustee pursuant to the Indenture shall be invested by the Trustee solely in Permitted Investments, as directed pursuant to the Request of the Authority filed with the Trustee at least two (2) Business Days in advance of the making of such investments. The Trustee shall be entitled to conclusively rely on any such Request of the Authority and shall be fully protected in relying thereon. In the absence of any such Request of the Authority the Trustee shall invest any such moneys in Permitted Investments described in clause (f) of the definition thereof. Permitted Investments purchased as an investment of moneys in any fund or account established pursuant to the Indenture shall be deemed to be part of such fund or account.

All interest or gain derived from the investment of amounts in any of the funds or accounts established under the Indenture shall be deposited in the fund or account from which such investment was made; provided, however, that all interest or gain derived from the investment of amounts in the Reserve Funds shall, to the extent the balance in any account thereof exceeds, on August 1 of each year, its respective share of the applicable Reserve Requirement, be withdrawn by the Trustee on such August 1, and deposited into the Revenue Fund.

#### Certain Covenants of the Authority.

*Punctual Payment.* The Authority shall punctually pay or cause to be paid the principal and interest and premium (if any) 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, Subordinated Revenues and other assets pledged for such payment as provided in the Indenture.

*Against Encumbrances.* The Authority shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Revenues, Subordinated 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.

*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 corporate trust industry standards in which complete and accurate entries shall be made of transactions made by it relating to the proceeds of Bonds, the Revenues, the Subordinated Revenues, the Local Obligations and all funds and accounts established pursuant to the Indenture. Such books of record and account shall be available for inspection by the Authority and the City upon reasonable prior notice during regular business hours and under reasonable circumstances, in each case as agreed to by the Trustee.

Not later than 45 days following each Interest Payment Date, the Trustee shall prepare and file with the Authority a report setting forth: (i) amounts withdrawn from and deposited into each fund and account maintained by the Trustee under the Indenture; (ii) the balance on deposit in each fund and account as of the date for which such report is prepared; and (iii) a brief description of all obligations held as investments in each fund and account. Copies of such reports may be mailed to any Owner upon the Owner's written request to the Trustee at the expense of such Owner at a cost not to exceed the Trustee's actual costs of duplication and mailing.

*Local Obligations.* Subject to the provisions of the Indenture, the Authority and the Trustee shall use reasonable efforts to collect all amounts due from the City (for and on behalf of the CFDs) pursuant to the Local Obligations and shall diligently enforce, and take all steps, actions and proceedings which the Authority and Trustee determine to be reasonably necessary for the enforcement of all of the rights of the Authority thereunder and for the enforcement of all of the obligations and covenants of the City (for and on behalf of the CFDs thereunder). The Authority shall instruct the City (for and on behalf of the CFDs) to authenticate and deliver to the Trustee the Local Obligations registered in the name of the Trustee.

The Authority, the Trustee, and the City may, with prior written notice to the Bond Insurer, at any time consent to, amend or modify any of the Local Obligations pursuant to the terms thereof, (a) with the prior consent of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding and the Bond Insurer, or (b) without the consent of any of the Owners but with the consent of the Bond Insurer, if such amendment or modification is for any one or more of the following purposes

(a) to add to the covenants and agreements of the City contained in such Local Obligations, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power therein reserved to or conferred upon the City; or

(b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in such Local Obligations, or in any other respect whatsoever as the City may deem necessary or desirable, provided under any circumstances that such modifications or amendments shall not materially adversely affect the interests of the Owners of the Bonds in the opinion of nationally- recognized bond counsel filed with the Trustee; or

(c) to amend any provision thereof to the extent necessary to comply with the Code, but only if and to the extent such amendment will not, in and of itself, adversely affect the exclusion from gross income of the interest on any of the Bonds under the Code, in the opinion of Bond Counsel filed with the Trustee.

*Sale of Local Obligations.* Notwithstanding anything in the Indenture to the contrary, the Authority may cause the Trustee to sell, from time to time, all or a portion of an issue of Local Obligations, provided that the Authority shall deliver to the Trustee:

(a) a certificate of an Independent Accountant certifying that, following the sale of such Local Obligations, the Revenues and Subordinated Revenues to be paid to the Authority (assuming the timely payment of amounts due thereon with respect to any Local Obligations not then in default), together with interest and principal due on any noncallable Federal Securities pledged to the repayment of the Bonds and the Revenues and Subordinated Revenues then on deposit in the funds and accounts established under the Indenture (valuing any Permitted Investments held under the Indenture at the then Fair Market Value thereof), will be sufficient to pay the principal of and interest on the Bonds when due;

(b) a certificate of the Bond Insurer consenting to such sale of Local Obligations;

(c) if any Bonds are then rated by Moody's and Standard & Poor's but not insured by the Bond Insurer, a notification from Moody's, if Moody's then rates such Bonds, and Standard &

Poor's, if Standard & Poor's then rates such Bonds, to the effect that such rating will not be withdrawn or reduced as a result of such sale of Local Obligations; and

(d) an opinion of Bond Counsel that such sale of Local Obligations is authorized under the provisions of the Indenture and will not adversely affect the exclusion of interest on the Bonds from gross income for purposes of federal income taxation.

Upon compliance with the foregoing conditions by the Authority, the Trustee shall sell such Local Obligations in accordance with the Request of the Authority and disburse the proceeds of the sale of such Local Obligations to the Authority or upon the receipt of a Request of the Authority shall deposit such proceeds in the Revenue Fund.

*Continuing Disclosure.* The Authority covenants and agrees that it will cause the City to comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Indenture, failure of the City to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, any Participating Underwriter or any holder or beneficial owner of the Bonds may, take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

*Tax Covenants.*

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 Code or the private loan financing test of Section 141(c) of the Code.

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 Code.

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 Code.

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 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 Code. Such payments shall be made by the Authority from any source of legally available funds of the Authority, including amounts deposited into the Rebate Fund, if any. The Authority shall keep or cause to be kept, and retain or cause to be retained for a period of six (6) years following the final payment of the Bonds, records of the determinations made pursuant to this covenant. In order to provide for the administration of this covenant, the Authority may provide for the employment of independent attorneys, accountants and consultants compensated on such reasonable basis as the Authority may deem appropriate.

Maintenance of Tax Exemption. The Authority shall take all actions necessary to assure the exclusion of interest on the Bonds from the gross income of the Owners thereof 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.

Amendment of the Indenture.

*With Bondowner Consent.* The Indenture and the rights and obligations of the Authority and of the Owners of either Series of the Bonds may, be modified or amended at any time by a Supplemental Indenture which shall become binding when the prior written consent of the Bond Insurer and the Owners of a majority in aggregate principal amount of the affected Series of Bonds then Outstanding (and as to the Series A Bonds only, the prior written consent of the Bond Insurer) are filed with the Trustee. No such modification or amendment shall (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Authority to pay the principal, interest or redemption premiums at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the Owner of such Bond, (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification, or (c) without written consent of the Trustee, modify any of the rights or obligations of the Trustee.

*Without Bondowner Consent.* The Indenture and the rights and obligations of the Authority and of the Owners of either Series of the Bonds may, with prior written consent of the Bond Insurer (but only with respect to the Series A Bonds), also be modified or amended at any time by a Supplemental Indenture which shall become binding upon adoption, without consent of any Bond Owners, to the extent permitted by law but only for any one or more of the following purposes

(a) to add to the covenants and agreements of the Authority contained in the Indenture, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or powers in the Indenture reserved to or conferred upon the Authority so long as such addition, limitation or surrender of such rights or powers shall not materially adversely affect the Owners of the Bonds; or

(b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Indenture, or in any other respect whatsoever as the Authority may deem necessary or desirable, provided under any circumstances that such modifications or amendments shall not materially adversely affect the interests of the Owners of the Bonds; or

(c) to amend any provision of the Indenture relating to the Code as may be necessary or appropriate to assure compliance with the Code and the exclusion from gross income of interest on the Bonds; or

(d) to amend any provision of the Indenture to place any Additional Bonds on a parity with the Bonds for all purposes of the Indenture, including, but not limited to, for the purpose of exercising all rights and remedies under the Indenture; or

(e) to amend the provisions of the Indenture relating to the Surplus Fund.

*Amendment by Mutual Consent.* Any Bond Owner may accept any amendment as to the particular Bond held by such Owner, provided that due notation thereof is made on such Bond.

*Consent of Insurer.*

Amendment of Rights of the Bond Insurer. Any provision of the Indenture expressly recognizing or granting rights in or to the Bond Insurer may not be amended in any manner which affects the rights of the Bond Insurer under the Indenture without the prior written consent of the Bond Insurer.

Consent of Bond Insurer Upon Default. Anything in the Indenture to the contrary notwithstanding, upon the occurrence and continuance of an event of default as defined in the

Indenture, the Bond Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the Owners or the Trustee for the benefit of the Owners under the Indenture.

Consent of Bond Insurer in lieu of Bondowner Consent. The Bond Insurer's consent shall be required in lieu of the consent of the Series A Bondowners, when required, for the following purposes: (i) execution and delivery of any Supplemental Indenture relating to the Series A Bonds or any amendment, supplement to or modification of the CFD Indentures, (ii) removal of the Trustee or selection and appointment of any successor Trustee, and (iii) initiation or approval of any action not described in (i) or (ii) above which requires consent of the Series A Bondowners.

Consent of Bond Insurer in the Event of Insolvency. Any reorganization or liquidation plan with respect to the Authority must be acceptable to the Bond Insurer. In the event of any reorganization or liquidation, the Bond Insurer shall have the right to vote on behalf of all Owners of Bond Insurer-insured Series A Bonds absent a default by the Bond Insurer under the applicable Bond Insurance Policy insuring such Series A Bonds.

#### Series A Events of Default and Remedial Action.

*Series A Events of Default.* The following events shall be Series A Events of Default under the Indenture.

(a) Default in the due and punctual payment of the principal of any Series A Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise.

(b) Default in the due and punctual payment of any installment of interest on any Series A Bond when and as such interest installment shall become due and payable.

(c) Default by the Authority in the observance of any of the other covenants, agreements or conditions on its part in the Indenture or in the Series A Bonds contained, if such default shall have continued for a period of sixty (60) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Authority and the Bond Insurer by the Trustee, or to the Authority, the Bond Insurer and the Trustee by the Owners of not less than twenty five percent (25%) in aggregate principal amount of the Series A Bonds at the time Outstanding or to the Authority and Trustee by the Bond Insurer; provided that such default (other than a default arising from nonpayment of the Trustee's fees and expenses, which must be cured within such 60 day period unless waived by the Trustee) shall not constitute a Series A Event of Default under the Indenture if the Authority shall commence to cure such default within said sixty (60) day period and thereafter diligently and in good faith shall cure such default within a reasonable period of time; or

(d) The filing by the Authority of a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction shall approve a petition, filed with or without the consent of the Authority, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Authority or of the whole or any substantial part of its property.

In determining whether a default has occurred under (a) or (b) above, or whether a payment on the Bonds has been made under the Indenture, no effect shall be given to payments made under the Bond Insurance Policy.

The Authority and the Trustee agree to give notice to the Bond Insurer immediately upon the occurrence of an Event of Default under (a) or (b) above and within 30 days of such party's knowledge of an Event of Default under (c) or (d) above.

*Remedies; Rights of Series A Bond Owners.* Upon the occurrence of a Series A Event of Default, the Trustee may pursue any available remedy at law or in equity to enforce the payment of the principal of, premium, if any, and interest on the Outstanding Series A Bonds, and to enforce any rights of the Trustee under or with respect to the Indenture; provided, however, that, except as described in the following sentence, so long as the Bond Insurer has not defaulted under the Bond Insurance Policy, the Trustee shall obtain the prior written consent of the Bond Insurer before exercising any remedies. In the event of a Series A Event of Default arising out of a nonpayment of Trustee's fees and expenses, the Trustee may, without Bond Insurer consent, sue the Authority to seek recovery of its fees and expenses; provided, however, that such recovery may be made only from Subordinate Revenues or the funds of the Authority and not from Revenues.

If a Series A Event of Default shall have occurred and be continuing and if requested so to do by the Bond Insurer, or if the Bond Insurer has failed to comply with its payment obligations under the Bond Insurance Policy, if requested to do so by the Owners of at least twenty five percent (25%) in aggregate principal amount of Outstanding Series A Bonds, and, in each case, if indemnified as provided in the Indenture, the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by the Indenture and, as applicable, under the Local Obligations, as the Trustee, being advised by counsel, shall deem most expedient in the interests of the Series A Bond Owners.

No remedy by the terms of the Indenture conferred upon or reserved to the Trustee (or to the Series A Bond Owners) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or to the Series A Bond Owners under the Indenture or now or hereafter existing at law or in equity.

No delay or omission to exercise any right or power accruing upon any Series A Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Series A Event of Default or acquiescence therein; such right or power may be exercised from time to time as often as may be deemed expedient.

Notwithstanding any other provisions of the Indenture, the Bond Insurer shall have the right, so long as it is not in default under the Bond Insurance Policy, to direct the remedies to be taken upon any Event of Default, and the Bond Insurer's consent shall be required for remedial action taken by the Trustee or the Authority under the Indenture.

*Application of Revenues and Other Funds After Series A Event of Default.* All amounts received by the Trustee with respect to the Series A Bonds pursuant to any right given or action taken by the Trustee under the provisions of the Indenture relating to the Series A Bonds shall be applied by the Trustee in the following order upon presentation of the several Series A Bonds, and the stamping thereon of the amount of the payment if only partially paid, or upon the surrender thereof if fully paid –

First, to the payment of the fees, costs and expenses of the Trustee in declaring such Series A Event of Default and in carrying out the provisions of the Indenture, including reasonable compensation to its agents, attorneys and counsel (including outside counsel and the allocated costs of internal attorneys), and to the payment of all other outstanding fees and expenses of the Trustee; and

Second, to the payment of the whole amount of interest on and principal of the Series A Bonds then due and unpaid, with interest on overdue installments of principal and interest to the extent permitted by law at the net effective rate of interest then borne by the Outstanding Series A Bonds; provided, however, that in the event such amounts shall be insufficient to pay in full the full amount of such interest and principal, then such amounts shall be applied in the following order of priority.

- (a) first to the payment of all installments of interest on the Series A Bonds then due and unpaid,
- (b) second, to the payment of all installments of principal of the Series A Bonds then due and unpaid, and
- (c) third, to the payment of interest on overdue installments of principal and interest on Series A Bonds.

*Power of Trustee to Control Proceedings.* In the event that the Trustee, upon the happening of a Series A Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties under the Indenture, whether upon its own discretion or upon the request of the Bond Insurer or the Owners of a majority in aggregate principal amount of the Series A Bonds then Outstanding, it may, with the consent of the Bond Insurer, in the exercise of its discretion for the best interests of the Owners of the Series A Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee shall not, unless there no longer continues a Series A Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time the Bond Insurer is in default under the Bond Insurance Policy and there has been filed with it a written request signed by the Owners of a majority in aggregate principal amount of the Outstanding Series A Bonds under the Indenture opposing such discontinuance, withdrawal, compromise, settlement or other such litigation and provided further that the Trustee shall have the right to decline to comply with such written request unless indemnification satisfactory to it has been provided. Any suit, action or proceeding which any Owner of Series A Bonds shall have the right to bring to enforce any right or remedy under the Indenture may be brought by the Trustee for the equal benefit and protection of all Owners of Series A Bonds similarly situated and the Trustee is appointed (and the successive respective Owners of the Series A Bonds issued under the Indenture, by taking and holding the same, shall be conclusively deemed so to have appointed it) the true and lawful attorney in fact of the respective Owners of the Series A Bonds for the purposes of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners of the Series A Bonds as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney in fact.

*Appointment of Receivers.* Upon the occurrence of a Series A Event of Default under the Indenture, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Series A Bond Owners under the Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Revenues and other amounts pledged under the Indenture, pending such proceedings, with such powers as the court making such appointment shall confer.

*Rights and Remedies of Series A Bond Owners.* No Owner of any Series A Bond issued under the Indenture shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Indenture, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of a Series A Event of Default; (b) the Owners of a majority in aggregate principal amount of all the Series A Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers in the Indenture before granted or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trustee indemnity reasonably acceptable to the Trustee 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 sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are declared, in every case, to be conditions precedent to the exercise by any Owner of Series A Bonds of any remedy under the Indenture; it being understood and intended that no one or more Owners of Series A Bonds shall have any right in any manner whatever by his or their action to enforce any right under the Indenture,

except in the manner in the Indenture provided, and that all proceedings at law or in equity to enforce any provision of the Indenture shall be instituted, had and maintained in the manner in the Indenture provided and for the equal benefit of all Owners of the Outstanding Series A Bonds and the Bond Insurer.

The right of any Owner of any Series A Bond to receive payment of the principal of and interest and premium (if any) on such Series A Bond as in the Indenture provided or to institute suit for the enforcement of any such payment, shall not be impaired or affected without the written consent of such Owner, notwithstanding any other provision of the Indenture.

#### Series B Events of Default and Remedial Action.

*Series B Events of Default.* The following events are Series B Events of Default under the Indenture.

(a) Default in the due and punctual payment of the principal of any Series B Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise.

(b) Default in the due and punctual payment of any installment of interest on any Series B Bond when and as such interest installment shall become due and payable.

(c) Default by the Authority in the observance of any of the other covenants, agreements or conditions on its part in the Indenture or in the Series B Bonds contained, if such default shall have continued for a period of sixty (60) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Authority by the Trustee, or to the Authority and the Trustee by the Owners of not less than twenty five percent (25%) in aggregate principal amount of the Series B Bonds at the time Outstanding; provided that such default (other than a default in payment of the Trustee's fees and expenses, which must be cured within such 60-day period unless waived by the Trustee) shall not constitute a Series B Event of Default under the Indenture if the Authority shall commence to cure such default within said sixty (60) day period and thereafter diligently and in good faith shall cure such default within a reasonable period of time; or

(d) The filing by the Authority of a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction shall approve a petition, filed with or without the consent of the Authority, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Authority or of the whole or any substantial part of its property.

*Remedies; Rights of Series B Bond Owners.* Upon the occurrence of a Series B Event of Default, the Trustee may pursue any available remedy at law or in equity to enforce the payment of the principal of, premium, if any, and interest on the Outstanding Series B Bonds, and to enforce any rights of the Trustee under or with respect to the Indenture; provided, however, that the Trustee shall take no action under the Indenture that would impair the receipt of Revenues necessary to pay the Series A Bonds when due unless a majority in aggregate principal amount of the Outstanding Series A Bonds and the Bond Insurer shall have consented to such action. Notice of any such action taken under the Indenture shall be provided by the Trustee to the Bond Insurer.

If a Series B Event of Default shall have occurred and be continuing and if requested so to do by the Owners of at least twenty five percent (25%) in aggregate principal amount of Outstanding Series B Bonds and indemnified as provided in the Indenture, and subject to the limitations set forth in the first paragraph above the Trustee shall be obligated to exercise such one or more of the rights and powers

conferred by the Indenture, as the Trustee, being advised by counsel, shall deem most expedient in the interests of the Series B Bond Owners.

No remedy by the terms of the Indenture conferred upon or reserved to the Trustee (or to the Series B Bond Owners) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or to the Series B Bond Owners under the Indenture or now or hereafter existing at law or in equity.

No delay or omission to exercise any right or power accruing upon any Series B Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Series B Event of Default or acquiescence therein; such right or power may be exercised from time to time as often as may be deemed expedient.

In no event shall the principal of the Series B Bonds be accelerated.

*Application of Subordinated Revenues and Other Funds After Default.* All Subordinated Revenues received by the Trustee pursuant to any right given or action taken by the Trustee under the provisions of the Indenture relating to the Series B Bonds shall be applied by the Trustee in the following order upon presentation of the several Series B Bonds, and the stamping thereon of the amount of the payment if only partially paid, or upon the surrender thereof if fully paid –

First, to the payment of the fees, costs and expenses of the Trustee in declaring such Series B Event of Default and in carrying out the provisions of the Indenture, including reasonable compensation to its agents, attorneys and counsel (including outside counsel and the allocated costs of internal attorneys), and to the payment of all other outstanding fees and expenses of the Trustee; and

Second, to the payment of the whole amount of interest on and principal of the Series B Bonds then due and unpaid, with interest on overdue installments of principal and interest to the extent permitted by law at the net effective rate of interest then borne by the Outstanding Series B Bonds; provided, however, that in the event such amounts shall be insufficient to pay in full the full amount of such interest and principal, then such amounts shall be applied in the following order of priority:

- (a) first, to the payment of all installments of interest on the Series B Bonds then due and unpaid,
- (b) second, to the payment of principal of all installments of the Series B Bonds then due and unpaid, and
- (c) third, to the payment of interest on overdue installments of principal and interest on Series B Bonds.

*Power of Trustee to Control Proceedings.* Subject to the limitations set forth in the Indenture, in the event that the Trustee, upon the happening of a Series B Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties under the Indenture, whether upon its own discretion or upon the request of the Owners of a majority in aggregate principal amount of the Series B Bonds then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Series B Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee shall not, unless there no longer continues a Series B Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of a majority in aggregate principal amount of the Outstanding Series B Bonds under the Indenture opposing such discontinuance, withdrawal, compromise, settlement or other such litigation and provided further that the Trustee shall have the right to decline to comply with such written request unless indemnification satisfactory to the Trustee shall have been provided to it. Any suit, action or proceeding which any Owner of Series B Bonds shall have

the right to bring to enforce any right or remedy under the Indenture may be brought by the Trustee for the equal benefit and protection of all Owners of Series B Bonds similarly situated and the Trustee is appointed (and the successive respective Owners of the Series B Bonds issued under the Indenture, by taking and holding the same, shall be conclusively deemed so to have appointed it) the true and lawful attorney in fact of the respective Owners of the Series B Bonds for the purposes of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners of the Series B Bonds as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney in fact.

*Appointment of Receivers.* Upon the occurrence of a Series B Event of Default under the Indenture, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Series B Bond Owners under the Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Subordinated Revenues and other amounts pledged under the Indenture, pending such proceedings, with such powers as the court making such appointment shall confer.

*Rights and Remedies of Series B Bond Owners.* No Owner of any Series B Bond issued under the Indenture shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Indenture, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of a Series B Event of Default; (b) the Owners of a majority in aggregate principal amount of all the Series B Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers in the Indenture before granted or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trustee indemnity reasonably acceptable to the Trustee 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 sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are declared, in every case, to be conditions precedent to the exercise by any Owner of Series B Bonds of any remedy under the Indenture; it being understood and intended that no one or more Owners of Series B Bonds shall have any right in any manner whatever by his or their action to enforce any right under the Indenture, except in the manner in the Indenture provided, and that all proceedings at law or in equity to enforce any provision of the Indenture shall be instituted, had and maintained in the manner in the Indenture provided and for the equal benefit of all Owners of the Outstanding Series B Bonds.

The right of any Owner of any Series B Bond to receive payment of the principal of and interest and premium (if any) on such Series B Bond as in the Indenture provided or to institute suit for the enforcement of any such payment, shall not be impaired or affected without the written consent of such Owner, notwithstanding any other provision of the Indenture.

#### Limited Liability of Authority.

Notwithstanding anything in the Indenture contained, the Authority shall not be required to advance any moneys derived from any source of income other than the Revenues or Subordinated Revenues, as the case may be, for the payment of the principal of or interest on the Bonds, or any premiums upon the redemption thereof, or for the performance of any covenants in the Indenture contained (except to the extent any such covenants are expressly payable under the Indenture from the Revenues or Subordinated Revenues). The Authority may, however, advance funds for any such purpose, provided that such funds are derived from a source legally available for such purpose and may be used by the Authority for such purpose without incurring indebtedness.

The Bonds shall be revenue bonds, payable exclusively from the Revenues or Subordinated Revenues, as the case may be, and other funds as in the Indenture provided. The general fund of the Authority is not liable, and the credit of the Authority is not pledged, for the payment of the interest and

premium (if any) on or principal of the Bonds. The Owners of the Bonds shall never have the right to compel the forfeiture of any property of the Authority. The principal of and interest on the Series A Bonds and Series B Bonds, respectively, and any premiums upon the redemption of any thereof, shall not be a legal or equitable pledge, charge, lien or encumbrance upon any property of the Authority or upon any of its income, receipts or revenues except the Revenues (with respect to the Series A Bonds) and Subordinated Revenues (with respect to the Series B Bonds) and other funds pledged to the payment thereof as in the Indenture provided.

#### Discharge of Indenture.

If the Authority pays and discharges any or all of the Outstanding Bonds 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 premium (if any) on such Bonds, as and when the same become due and payable;

(b) by irrevocably depositing with the Trustee, in trust, at or before maturity, money which, together with the available amounts then on deposit in the funds and accounts established with the Trustee pursuant to the Indenture and available for such purpose, is fully sufficient to pay such Bonds, including all principal, interest and redemption premiums; or

(c) by irrevocably depositing with the Trustee or any other fiduciary, in trust, Federal Securities in such amount as an Independent Accountant shall determine will, together with the interest to accrue thereon and available moneys then on deposit in the funds and accounts established with the Trustee pursuant to the Indenture and available for such purpose, 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;

then any such Outstanding Bond or Bonds shall be deemed to have been paid and discharged; provided, however, that any such Outstanding Bond or Bonds shall be deemed to have been paid and discharged under paragraph (c) above only if (i) in the case of Bonds to be redeemed prior to the maturity thereof, notice of such redemption shall have been mailed pursuant to the Indenture or provision satisfactory to the Trustee shall have been made for the mailing of such notice, (ii) a verification report of an Independent Accountant shall be delivered to the Trustee, which shall be in a form acceptable to the Bond Insurer in the case of a discharge of Series A Bonds, and (iii) an opinion of Bond Counsel shall be delivered to the Trustee and the Bond Insurer in the case of a defeasance of Series A Bonds, to the effect that the requirements of the Indenture have been satisfied with respect to such discharge of Bonds. Upon a discharge of one or more Bonds as described above, and notwithstanding that any of such Bonds shall not have been surrendered for payment, the pledge of the Revenues, Subordinated Revenues, and other funds provided for in the Indenture with respect to such Bonds, and all other pecuniary obligations of the Authority under the Indenture with respect to such Bonds, as applicable, shall cease and terminate, except only the obligation of the Authority to comply with the tax covenants and the indemnification provisions set forth in the Indenture, to pay or cause to be paid to the Owners of such Bonds not so surrendered and paid all sums due thereon from amounts set aside for such purpose, to pay all expenses and costs of the Trustee and to comply with the tax covenants set forth in the Indenture. Any funds thereafter held by the Trustee, which are not required for said purposes, shall be paid over to the Authority or upon a Request of the Authority to the City.

In the event that the Bonds are to be defeased, the Bond Insurer shall be notified and provided with draft copies of the proposed escrow agreement, Independent Accountant certification and preliminary official statement of the refunding issue (if applicable). These materials shall be delivered to the Bond Insurer no less than five business days prior to the scheduled defeasance.

Defeasance shall be accomplished only with an irrevocable deposit in escrow of certain investments referred to in the Indenture. Further substitutions of securities in the escrow are not permitted. The deposit

in the escrow must be sufficient, without reinvestment, to pay all principal and interest as schedule on the Bonds to and including the date of redemption. Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or prepayable prior to maturity or earlier redemption of the rated debt (excluding 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).

Notwithstanding anything in the Indenture to the contrary, in the event that the principal and/or interest due on the Series A Bonds shall be paid by the Bond Insurer pursuant to the Bond Insurance Policy, the Series A Bonds will remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Authority, and the assignment and pledge of the Revenues and all covenants, agreements and other obligations of the Authority to the registered owners of the Series A Bonds shall continue to exist and shall run to the benefit of the Bond Insurer, and the Bond Insurer shall be subrogated to the rights of such registered owners of the Series A Bonds.

#### Payment on, and Conditions of, Bond Insurance Policy.

As long as the Bond Insurance Policy shall be in full force and effect, the Authority and the Trustee agree to comply with the following provisions:

(a) At least one (1) business day prior to all Interest Payment Dates, the Trustee will determine whether there will be sufficient funds in the Funds and Accounts to pay the principal of or interest on the Series A Bonds on such Interest Payment Date. If the Trustee, determines that there will be insufficient funds in such Funds or Accounts, the Trustee, shall so notify the Bond Insurer. Such notice shall specify the amount of the anticipated deficiency, the Series A Bonds to which such deficiency is applicable and whether such Series A Bonds will be deficient as to principal or interest, or both. If the Trustee, has not so notified the Bond Insurer at least one (1) business day prior to an Interest Payment Date, the Bond Insurer will make payments of principal or interest due on the Series A Bonds on or before the first (1st) business day next following the date on which the Bond Insurer shall have received notice of nonpayment from the Trustee.

(b) The Trustee shall, after giving notice to the Bond Insurer as provided in (a) above, make available to the Bond Insurer and, at the Bond Insurer's direction, to The Bank of New York, in New York, New York, as insurance trustee for the Bond Insurer or any successor insurance trustee (the "Insurance Trustee"), the registration books of the Authority maintained by the Trustee, and all records relating to the Funds and Accounts maintained under the Indenture.

(c) The Trustee shall provide the Bond Insurer and the Insurance Trustee with a list of registered owners of Series A Bonds entitled to receive principal or interest payments from the Bond Insurer under the terms of the Bond Insurance Policy, and shall make arrangements with the Insurance Trustee (i) to mail checks or drafts to the registered owners of Series A Bonds entitled to receive full or partial interest payments from the Bond Insurer and (ii) to pay principal upon Series A Bonds surrendered to the Insurance Trustee by the registered owners of Series A Bonds entitled to receive full or partial principal payments from the Bond Insurer.

(d) The Trustee shall, at the time it provides notice to the Bond Insurer pursuant to (a) above, notify registered owners of Series A Bonds entitled to receive the payment of principal or interest thereon from the Bond Insurer (i) as to the fact of such entitlement, (ii) that the Bond Insurer will remit to them all or a part of the interest payments next coming due upon proof of Holder entitlement to interest payments and delivery to the Insurance Trustee, in form satisfactory to the Insurance Trustee, of an appropriate assignment of the registered owner's right to payment, (iii) that should they be entitled to receive full payment of principal from the Bond Insurer, they must surrender their Series A Bonds (along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee to permit ownership of such Series A Bonds to be registered in the name of the Bond Insurer) for payment to the Insurance Trustee, and not the Trustee, and (iv) that should they be entitled to receive partial payment of principal

from the Bond Insurer, they must surrender their Series A Bonds for payment thereon first to the Trustee, who shall note on such Series A Bonds the portion of the principal paid by the Trustee, and then, along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee, to the Insurance Trustee, which will then pay the unpaid portion of principal.

(e) In the event that the Trustee has notice that any payment of principal of or interest on a Series A Bond which has become Due for Payment and which is made to a Holder by or on behalf of the Authority has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee shall, at the time the Bond Insurer is notified pursuant to (a) above, notify all registered owners that in the event that any registered owner's payment is so recovered, such registered owner will be entitled to payment from the Bond Insurer to the extent of such recovery if sufficient funds are not otherwise available, and the Trustee shall furnish to the Bond Insurer its records evidencing the payments of principal of and interest on the Series A Bonds which have been made by the Trustee and subsequently recovered from registered owners and the dates on which such payments were made.

(f) In addition to those rights granted the Bond Insurer under the Indenture, the Bond Insurer shall, to the extent it makes payment of principal of or interest on Series A Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Bond Insurance Policy, and to evidence such subrogation (i) in the case of subrogation as to claims for past due interest, the Trustee shall note the Bond Insurer's rights as subrogee on the registration books of the Authority maintained by the Trustee, upon receipt from the Bond Insurer of proof of the payment of interest thereon to the registered owners of the Series A Bonds, and (ii) in the case of subrogation as to claims for past due principal, the Trustee shall note the Bond Insurer's rights as subrogee on the registration books of the Authority maintained by the Trustee, upon surrender of the Series A Bonds by the registered owners thereof together with proof of the payment of principal thereof.

## **BOND INDENTURES RELATING TO THE CFD BONDS**

*The following is a summary of certain provisions of the Bond Indentures relating to the CFD Bonds not otherwise described in the text of this Official Statement. Such summary is not intended to be definitive, and reference is made to the full text of the Bond Indentures for the complete terms thereof.*

Certain Definitions: Unless otherwise indicated, capitalized terms used below but not defined below have the same meaning given those terms in Indenture of Trust relating to the Bonds.

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

“Administrative Expenses” means any or all of the following:

(a) the expenses directly related to the administration of the CFD, including, but not limited to, the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the City or a designee thereof or both); the costs of collecting the Special Taxes (whether by the County, the City or otherwise); the costs of remitting the Special Taxes to the Trustee; the costs associated with preparing Special Tax disclosure statements and responding to the public inquiries regarding the Special Taxes; the costs of the City, the CFD or any designee thereof related to an appeal of the Special Tax;

(b) the costs of the Trustee (including its legal counsel) in the discharge of the duties of the Trustee pertaining to the CFD Bonds required under the Bond Indenture and any Supplemental Indenture;

(c) the costs of the City or any designee thereof of complying with the City, the CFD, the Authority or obligated person disclosure requirements associated with applicable federal or state securities laws of the Act pertaining to the bonds;

(d) a Proportionate Share of the Authority Administrative Expenses;

(e) any amounts required to be rebated to the federal government; and

(f) all other costs and expenses of the City (including, but not limited to, an allocable share of the salaries of the City staff directly related to the foregoing, a proportionate amount of City general administrative overhead related to the foregoing, and amounts advanced by the City for any administrative purpose of the CFD, including costs related to prepayments of Special Taxes, recordings related to such prepayments and satisfaction of Special Taxes, amounts advanced to ensure maintenance of tax exemption, and the costs of prosecuting foreclosure of delinquent Special Taxes, which amounts advanced are subject to reimbursement from other sources, including proceeds of foreclosure) and the Trustee incurred in connection with the discharge of their respective duties under the Bond Indenture and in any way related to the administration of the CFD and all actual costs and expenses incurred in connection with the administration of the CFD Bonds.

“Administrative Services Director” means the official of the City, or such official’s designee, who acts in the capacity as the chief financial officer of the City, including the controller or other financial officer.

“Annual Debt Service” means the principal amount of any Outstanding CFD Bonds or Parity Bonds payable in a Bond Year either at maturity or pursuant to a Sinking Fund Payment and any interest payable on any Outstanding CFD Bonds or Parity Bonds in such Bond Year, if the CFD Bonds and any Parity Bonds are retired as scheduled.

“Authorized Representative of the City” means the Mayor, City Manager, Administrative Services Director or City Clerk, or any other person or persons designated by a written certificate signed on behalf of the City by the City Manager or Administrative Services Director of the City and containing the specimen signature of each such person.

“Bond Register” means the books which the Trustee shall keep or cause to be kept on which the registration and transfer of the CFD Bonds and any Parity Bonds shall be recorded.

“Bondowner” or “Owner” means the person or persons in whose name or names any CFD Bond or Parity Bond is registered.

“Bond Year” means the twelve month period commencing on September 2 of each year and ending on September 1 of the following year, except that the first Bond Year for the CFD Bonds or an issue of Parity Bonds shall begin on the Delivery Date and end on the first September 1 which is not more than 12 months after the Delivery Date.

“Certificate of an Authorized Representative” means a written certificate or warrant request executed by an Authorized Representative of the City.

“Independent Financial Consultant” means a financial consultant or firm of such consultants generally recognized to be well qualified in the financial consulting field, appointed and paid by the City, who, or each of whom:

- (1) is in fact independent and not under the domination of the City;
- (2) does not have any substantial interest, direct or indirect, in the City; and
- (3) is not connected with the City as a member, officer or employee of the City, but who may be regularly retained to make annual or other reports to the City.

“Maximum Annual Debt Service” means the maximum sum obtained for any Bond Year prior to the final maturity of the CFD Bonds and any Parity Bonds by adding the following for each Bond Year:

- (1) the principal amount of all Outstanding CFD Bonds and Parity Bonds payable in such Bond Year either at maturity or pursuant to a Sinking Fund Payment; and
- (2) the interest payable on the aggregate principal amount of all CFD Bonds and Parity Bonds Outstanding in such Bond Year if the CFD Bonds and Parity Bonds are retired as scheduled.

“Ordinance” means any ordinance of the City levying the Special Taxes in the CFD.

“Outstanding” or “Outstanding CFD Bonds and Parity Bonds” means all CFD Bonds and Parity Bonds theretofore issued by the City, except:

- (1) CFD Bonds and Parity Bonds theretofore cancelled or surrendered for cancellation in accordance with the Bond Indenture;
- (2) CFD Bonds and Parity Bonds for payment or redemption of which monies shall have been theretofore deposited in trust (whether upon or prior to the maturity or the redemption date of such CFD Bonds or Parity Bonds), provided that, if such CFD Bonds or Parity Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in the Bond Indenture or any applicable Supplemental Indenture for Parity Bonds; and

(3) CFD Bonds and Parity Bonds which have been surrendered to the Trustee for transfer or exchange pursuant to the Bond Indenture or for which a replacement has been issued pursuant to the Bond Indenture.

"Parity Bonds" means bonds issued pursuant to the Bond Indenture that are payable from Special Tax Revenues and other amounts deposited in the Special Tax Fund and secured by a lien and charge upon such amounts equal to the lien and charge securing the CFD Bonds.

"Prepayments" means any amounts paid by the City to the Trustee and designated by the City as a prepayment of Special Taxes for one or more parcels in the CFD made in accordance with the Rate and Method of Apportionment of Special Taxes attached to the Resolution of Formation.

"Proportionate Share" means, as of the date of calculation, the ratio derived by dividing the Outstanding principal amount of the CFD Bonds and any Parity Bonds by the principal amount of the outstanding Local Obligations.

"Resolution of Formation" means the resolution adopted by the City Council of the City pursuant to which the City formed the CFD.

"Special Taxes" means the taxes authorized to be levied by the City on property within the CFD in accordance with the Ordinance, the Resolution of Formation, the Act and the voter approval obtained at an election in the CFD.

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

#### Security for the CFD Bonds.

Pursuant to the Act and the Bond Indenture, the CFD Bonds and any Parity Bonds shall be equally payable from the Special Tax Revenues and other amounts in the Special Tax Fund (exclusive of the Administrative Expense Account), without priority for number, date of the CFD Bonds or Parity Bonds, date of sale, date of execution, or date of delivery, and the payment of the interest on and principal of the CFD Bonds and any Parity Bonds and premiums upon the redemption thereof, shall be exclusively paid from the Special Tax Revenues and other amounts in the Special Tax Fund (exclusive of the Administrative Expense Account), which are set aside for the payment of the CFD Bonds and any Parity Bonds.

Amounts in the Special Tax Fund (other than the Administrative Expense Account therein) shall constitute a trust fund held for the benefit of the Owners to be applied to the payment of the interest on and principal of the CFD Bonds and any Parity Bonds and so long as any of the CFD Bonds and any Parity Bonds or interest thereon remain Outstanding shall not be used for any other purpose, except as permitted by the Bond Indenture or any Supplemental Indenture. Notwithstanding any provision contained in the Bond Indenture to the contrary, Special Tax Revenues deposited in the Rebate Fund and the Surplus Fund shall no longer be considered to be pledged to the CFD Bonds or any Parity Bonds, and none of the Rebate Fund, the Surplus Fund, or the Administrative Expense Account of the Special Tax Fund shall be construed as a trust fund held for the benefit of the Owners.

Nothing in the Bond Indenture or any Supplemental Indenture shall preclude; (a) the redemption prior to maturity of any CFD Bonds or Parity Bonds subject to call and redemption and payment of said CFD Bonds or Parity Bonds from proceeds of refunding bonds issued under the Act as the same now exists or as hereafter amended, or under any other law of the State of California; or (b) the issuance, subject to the limitations contained in the Bond Indenture, of Parity Bonds which shall be payable from Special Tax Revenues.

Deposits and Uses of Special Taxes.

*Special Tax Fund.* Except for the portion of any Prepayment to be deposited to the Redemption Account, the Trustee shall, on each date on which the Special Taxes are received from the City, deposit the Special Taxes in the Special Tax Fund to be held in trust for the Owners. The Trustee shall transfer the Special Taxes on deposit in the Special Tax Fund in the following order of priority, to:

- (1) The Interest Account of the Special Tax Fund;
- (2) The Principal Account of the Special Tax Fund;
- (3) The Redemption Account of the Special Tax Fund;
- (4) The Authority Trustee, in the amount needed to restore the applicable Reserve Account of the Series A Reserve Fund held by the Authority Trustee to the Proportionate Share of the Series A Reserve Requirement;
- (5) The Authority Trustee, in the amount needed to restore the applicable Reserve Account of the Series B Reserve Fund held by the Authority Trustee to the Proportionate Share of the Series B Reserve Requirement; and
- (6) The Administrative Expense Account of the Special Tax Fund;
- (7) The Surplus Fund.

*Interest Account and Principal Account of the Special Tax Fund.* The principal of and interest due on the CFD Bonds and any Parity Bonds until maturity, other than principal due upon redemption, shall be paid by the Trustee from the Principal Account and the Interest Account of the Special Tax Fund, respectively. For the purpose of assuring that the payment of principal of and interest on the CFD Bonds and any Parity Bonds will be made when due, at least five Business Days prior to each March 1 and September 1, the Trustee shall transfer from the Special Tax Fund, first to the Interest Account and then to the Principal Account, the amount required to pay interest on and principal of the CFD Bonds on the immediately succeeding March 1 or September 1; provided, however, that to the extent that deposits have been made in the Interest Account or the Principal Account from the proceeds of the sale of an issue of the CFD Bonds, any Parity Bonds, or otherwise, the transfer from the Special Tax Fund need not be made.

*Redemption Account of the Special Tax Fund.* With respect to each September 1 on which a Sinking Fund Payment is due, after the deposits have been made to the Interest Account and the Principal Account of the Special Tax Fund, the Trustee shall next transfer into the Redemption Account of the Special Tax Fund from the Special Tax Fund the amount needed to make the balance in the Redemption Account five Business Days prior to each September 1 equal to the Sinking Fund Payment due on any Outstanding CFD Bonds and Parity Bonds on such September 1. Moneys so deposited in the Redemption Account shall be used and applied by the Trustee to call and redeem Term CFD Bonds in accordance with the Sinking Fund Payment schedule set forth in the Bond Indenture, and to redeem Parity Bonds in accordance with any Sinking Fund Payment schedule set forth in the Supplemental Indenture for such Parity Bonds.

After making the deposits to the Interest Account, the Principal Account, and the Redemption Account for Sinking Fund Payments then due, and in accordance with the City's election to call CFD Bonds for optional redemption, or to call Parity Bonds for optional redemption as set forth in any Supplemental Indenture for Parity Bonds, the Trustee shall transfer from the Special Tax Fund and deposit in the Redemption Account moneys available for the purpose and sufficient to pay the principal and the premiums, if any, payable on the CFD Bonds or Parity Bonds called for optional redemption;

provided, however, that amounts in the Special Tax Fund may be applied to optionally redeem CFD Bonds and Parity Bonds only if immediately following such redemption the amount in the applicable Reserve Accounts of the Reserve Funds will equal the Proportionate Share of the Reserve Requirement.

Moneys set aside in the Redemption Account shall be used solely for the purpose of redeeming CFD Bonds and Parity Bonds and shall be applied on or after the redemption date to the payment of principal of and premium, if any, on the CFD Bonds or Parity Bonds to be redeemed upon presentation and surrender of such CFD Bonds or Parity Bonds and in the case of an optional redemption or an extraordinary redemption from Prepayments to pay the interest thereon; provided, however, that in lieu or partially in lieu of such call and redemption, moneys deposited in the Redemption Account, other than Prepayments, may be used to purchase Outstanding CFD Bonds or Parity Bonds in the manner in the Bond Indenture after provided. Purchases of Outstanding CFD Bonds or Parity Bonds may be made by the City at public or private sale as and when and at such prices as the City may in its discretion determine but only at prices (including brokerage or other expenses) not more than par plus accrued interest, plus, in the case of moneys set aside for an optional redemption, the premium applicable at the next following call date according to the premium schedule established pursuant to the Bond Indenture, or in the case of Parity Bonds the premium established in any Supplemental Indenture. Any accrued interest payable upon the purchase of CFD Bonds or Parity Bonds may be paid from the amount reserved in the Interest Account of the Special Tax Fund for the payment of interest on the next following Interest Payment Date.

*Administrative Expense Account of the Special Tax Fund.* The Trustee shall transfer from the Special Tax Fund and deposit in the Administrative Expense Account of the Special Tax Fund from time to time amounts necessary to make timely payment of Administrative Expenses; provided, however, that the 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.

Following the required transfers of amounts sufficient to pay the interest and principal on all Bonds due in a Bond Year and to restore the Authority Reserve Funds to the respective Reserve Requirement, an Authorized Representative of the City may direct the Trustee, in writing, to transfer additional amounts from the Special Tax Fund to the Administrative Expense Account. Moneys in the Administrative Expense Account of the Special Tax Fund may be invested in any Authorized Investments as directed in writing by an Authorized Representative of the City and shall be disbursed as directed in a Certificate of an Authorized Representative.

*Surplus Fund.* After making the transfers described above, as soon as practicable after each September 1, and in any event prior to each October 1, the Trustee shall transfer all remaining amounts in the Special Tax Fund to the Surplus Fund, unless on or prior to such date, it has received a Certificate of an Authorized Representative of the City directing that certain amounts be retained in the Special Tax Fund because the City has assumed such amounts would be available in the Special Tax Fund in calculating the amount of the levy of Special Taxes for such Fiscal Year.

Moneys deposited in the Surplus Fund will be transferred by the Trustee at the direction of an Authorized Representative of the City as follows:

(i) to the Interest Account, the Principal Account or the Redemption Account of the Special Tax Fund to pay the principal of, including Sinking Fund Payments, premium, if any, and interest on the CFD Bonds and any Parity Bonds when due in the event that moneys in the Special Tax Fund and the applicable Reserve Accounts are insufficient therefor,

(ii) to the applicable Reserve Accounts in order to replenish the applicable Reserve Accounts to the Proportionate Share Reserve Requirement,

(iii) to the Administrative Expense Account of the Special Tax Fund to pay Administrative Expenses to the extent that the amounts on deposit in the Administrative Expense Account of the Special Tax Fund are insufficient to pay Administrative Expenses, and

(iv) for any other lawful purpose of the City.

The amounts in the Surplus Fund are not pledged to the repayment of the CFD Bonds or the Parity Bonds and may be used by the City for any lawful purpose.

#### Investments.

Moneys held in any of the Funds, Accounts and Subaccounts under the Bond Indenture shall be invested at the written direction of the City in accordance with the limitations set forth below only in Authorized Investments which shall be deemed at all times to be a part of such Funds, Accounts and Subaccounts. Any loss resulting from such Authorized Investments shall be credited or charged to the Fund, Account or Subaccount from which such investment was made, and any investment earnings on amounts deposited in the Special Tax Fund and the Surplus Fund, and each Account therein, shall be deposited in those respective Funds and Accounts.

Moneys in the Funds, Accounts and Subaccounts held under the Bond Indenture may be invested by the Trustee as directed in writing by the City, from time to time, in Authorized Investments subject to the following restrictions:

(a) Moneys in the Interest Account, the Principal Account, and the Redemption Account of the Special Tax Fund shall be invested only in Authorized Investments which will by their terms mature, or in the case of an Investment Agreement are available for withdrawal without penalty, on such dates so as to ensure the payment of principal of, premium, if any, and interest on the CFD Bonds as the same become due.

(b) In the absence of written investment directions from the City, the Trustee shall invest solely in Authorized Investments specified in clause (f) of the definition thereof.

The Trustee shall sell, or present for redemption, any Authorized Investment whenever it may be necessary to do so in order to provide moneys to meet any payment or transfer to such Funds and Accounts or from such Funds and Accounts. For the purpose of determining at any given time the balance in any such Funds and Accounts, any such investments constituting a part of such Funds and Accounts shall be valued at their cost. In making any valuations under the Bond Indenture, the Trustee may utilize such computerized securities pricing services as may be available to it, including, without limitation, those available through its regular accounting system, and conclusively rely thereon. Notwithstanding anything in the Bond Indenture to the contrary, the Trustee shall not be responsible for any loss from investments, sales or transfers undertaken in accordance with the provisions of the Bond Indenture.

#### Redemption of CFD Bonds.

*Optional Redemption and Extraordinary Redemption.* Subject to the provisions of the Bond Indenture summarized in "Certification of Independent Financial Consultant" below, certain of the CFD Bonds may be redeemed, at the option of the City from any source of funds on certain dates, in whole, or in part and by lot, at a redemption price set forth in the Bond Indentures. Subject to the provisions of the Highland Reserve North CFD Bond Indenture summarized in "Certification of Independent Financial Consultant" below, the Highland Reserve North CFD Bonds are subject to extraordinary redemption as a whole, or in part on a pro rata basis among maturities, on any Interest Payment Date, and shall be redeemed by the Trustee, from Prepayments deposited to the Redemption Account at the redemption prices set forth in the Highland Reserve North Bond Indenture.

*Selection of CFD Bonds and Parity Bonds for Redemption.* If less than all of the CFD Bonds or Parity Bonds Outstanding are to be redeemed, the portion of any Bond or Parity Bond of a denomination of more than \$1,000 to be redeemed shall be in the principal amount of \$1,000 or an integral multiple thereof. In selecting portions of such CFD Bonds or Parity Bonds for redemption, the Trustee shall treat such CFD Bonds or Parity Bonds, as applicable, as representing that number of CFD Bonds or Parity Bonds of \$1,000 denominations which is obtained by dividing the principal amount of such CFD Bonds or Parity Bonds to be redeemed in part by \$1,000. The procedure for the selection of Parity Bonds for redemption may be modified as set forth in the Supplemental Indenture for such Parity Bonds. The Trustee shall promptly notify the City in writing of the CFD Bonds or Parity Bonds, or portions thereof, selected for redemption.

*Notice of Redemption.* When CFD Bonds or Parity Bonds are due for redemption or under another redemption provision set forth in a Supplemental Indenture relating to any Parity Bonds, the Trustee shall give notice, in the name of the City, of the redemption of such CFD Bonds or Parity Bonds. The City may instruct the Trustee to specify in the redemption notice that such redemption may be subject to receipt of funds sufficient to accomplish the redemption. Such notice of redemption shall (a) specify the CUSIP numbers (if any), the bond numbers and the maturity date or dates of the CFD Bonds or Parity Bonds selected for redemption, except that where all of the CFD Bonds or all of an issue of Parity Bonds are subject to redemption, or all the CFD Bonds or Parity Bonds of one maturity, are to be redeemed, the bond numbers of such issue need not be specified; (b) state the date fixed for redemption and surrender of the CFD Bonds or Parity Bonds to be redeemed; (c) state the redemption price; (d) state the place or places where the CFD Bonds or Parity Bonds are to be redeemed; (e) in the case of CFD Bonds or Parity Bonds to be redeemed only in part, state the portion of such Bond or Parity Bond which is to be redeemed; (f) state the date of issue of the CFD Bonds or Parity Bonds as originally issued; (g) state the rate of interest borne by each Bond or Parity Bond being redeemed; and (h) state any other descriptive information needed to identify accurately the CFD Bonds or Parity Bonds being redeemed as shall be specified by the Trustee. Such notice shall further state that on the date fixed for redemption, there shall become due and payable on each Bond, Parity Bond or portion thereof called for redemption, the principal thereof, together with any premium, and interest accrued to the redemption date, and that from and after such date, interest thereon shall cease to accrue and be payable. At least 30 days but no more than 45 days prior to the redemption date, the Trustee shall mail a copy of such notice, by first class mail, postage prepaid, to the respective Owners thereof at their addresses appearing on the Bond Register. The actual receipt by the Owner of any Bond or Parity Bond of notice of such redemption shall not be a condition precedent to redemption, and neither the failure to receive nor any defect in such notice shall affect the validity of the proceedings for the redemption of such CFD Bonds or Parity Bonds, or the cessation of interest on the redemption date. A certificate by the Trustee that notice of such redemption has been given as in the Bond Indenture provided shall be conclusive as against all parties and the Owner shall not be entitled to show that he or she failed to receive notice of such redemption.

Any such redemption notice may specify that redemption on the specified date will be subject to receipt by the City of moneys sufficient to cause such redemption, and neither the City nor the Trustee shall have any liability to the Owners or any other party as a result of its failure to redeem the CFD Bonds as a result of insufficient moneys.

In addition to the foregoing notice, further notice shall be given by the Trustee as set out below, but only if the CFD Bonds or Parity Bonds are not owned by the Authority at the time the notice of redemption is given, provided that no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed.

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

*Certification of Independent Financial Consultant.* The City shall not be authorized to redeem bonds pursuant to the Optional Redemption or Special Redemption provisions of the Bond Indenture unless it has provided the Trustee with a certificate of an Independent Financial Consultant to the effect that the proposed redemption, assuming a corresponding redemption of the Authority CFD Bonds, and assuming continuing payment of Special Taxes by property owners not then in default, will not adversely impact the availability of Revenues (as defined in the Authority Indenture) in an amount sufficient to pay debt service on the Authority CFD Bonds, as scheduled.

Certain Covenants of the City. In addition to the covenants summarized in this Official Statement, the City has covenanted in the Bond Indentures as follows:

*Tax Covenants.*

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

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

Rebate Requirement. The City shall take any and all actions necessary to assure compliance with section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Authority Bonds.

No Arbitrage. The City shall not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the CFD Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the CFD Bonds would have caused the Authority CFD Bonds to be "arbitrage bonds" within the meaning of section 148 of the Code.

Maintenance of Tax-Exemption. The City shall take all actions necessary to assure the exclusion of interest on the Authority CFD Bonds from the gross income of the Owners of the Authority CFD 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 Authority CFD Bonds. In addition, the City shall not take any action or fail to take any action if the action or failure adversely affect the exclusion of interest on the Prior CFD Bonds from the gross income of the owners of the Prior CFD Bonds to the same extent as such interest was permitted to be excluded from gross income for federal income tax purposes on the date of issuance of the Prior CFD Bonds.

Continuing Disclosure. The City covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Bond Indenture, failure of the City to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, the Original Purchaser of the Authority CFD Bonds and any holder or beneficial owner of the CFD Bonds may, take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

Supplemental Indentures or Orders Not Requiring Bondowner Consent

The City may from time to time, and at any time, without notice to or consent of any of the Bondowners, but only with the prior written consent of the Bond Insurer so long as the Bond Insurance Policy is in full force and effect, adopt Supplemental Indentures for any of the following purposes:

- (a) to cure any ambiguity, to correct or supplement any provisions in the Bond Indenture which may be inconsistent with any other provision in the Bond Indenture, or to make any other provision with respect to matters or questions arising under the Bond Indenture or in any additional resolution or order, provided that such action is not materially adverse to the interests of the Bondowners;

(b) to add to the covenants and agreements of and the limitations and the restrictions upon the City contained in the Bond Indenture, other covenants, agreements, limitations and restrictions to be observed by the City which are not contrary to or inconsistent with the Bond Indenture as theretofore in effect or which further secure Bond or Parity Bond payments;

(c) to provide for the issuance of any Parity Bonds, and to provide the terms and conditions under which such Parity Bonds may be issued, subject to and in accordance with the provisions of the Bond Indenture;

(d) to modify, amend or supplement the Bond Indenture in such manner as to permit the qualification of the Bond Indenture 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, and which shall not materially adversely affect the interests of the Owners of the CFD Bonds or any Parity Bonds then Outstanding; or

(e) to modify, alter or amend the rate and method of apportionment of the Special Taxes in any manner so long as such changes do not reduce the maximum Special Taxes that may be levied in each year on property within the CFD to an amount which is less than 110% of the principal and interest due in each corresponding future Bond Year with respect to the CFD Bonds and Parity Bonds Outstanding as of the date of such amendment; or

(f) to modify, alter, amend or supplement the Bond Indenture in any other respect which is not materially adverse to the Bondowners; or

(g) to make such additions, deletions or modifications as may be necessary or desirable to assure exemption from federal income taxation of interest on the Authority CFD Bonds.

#### Supplemental Indentures or Orders Requiring Bondowner Consent.

Exclusive of the Supplemental Indentures described in above, the Owners of not less than a majority in aggregate principal amount of the CFD Bonds and Parity Bonds Outstanding shall have the right to consent to and approve the adoption by the City of such Supplemental Indentures as shall be deemed necessary or desirable by the City for the purpose of waiving, modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Bond Indenture; provided, however, (i) the City shall have first obtained the written consent of the Bond Insurer so long as the Bond Insurance Policy is in full force and effect and (ii) that nothing in the Bond Indenture shall permit, or be construed as permitting, (a) an extension of the maturity date of the principal, or the payment date of interest on, any Bond or Parity Bond, (b) a reduction in the principal amount of, or redemption premium on, any Bond or Parity Bond or the rate of interest thereon, (c) a preference or priority of any Bond or Parity Bond over any other Bond or Parity Bond, or (d) a reduction in the aggregate principal amount of the CFD Bonds and Parity Bonds the Owners of which are required to consent to such Supplemental Indenture, without the consent of the Owners of all CFD Bonds and Parity Bonds then Outstanding.

If at any time the City shall desire to adopt a Supplemental Indenture, which shall require the consent of the Bondowners, the City shall so notify the Trustee and shall deliver to the Trustee a copy of the proposed Supplemental Indenture. The Trustee shall, at the expense of the City, cause notice of the proposed Supplemental Indenture to be mailed, by first class mail, postage prepaid, to all Bondowners at their addresses as they appear in the Bond Register. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that a copy thereof is on file at the office of the Trustee for inspection by all Bondowners. The failure of any Bondowners to receive such notice shall not affect the validity of such Supplemental Indenture when consented to and approved by the Owners of not less than a majority in aggregate principal amount of the CFD Bonds and Parity Bonds Outstanding.

Whenever at any time within one year after the date of the first mailing of such notice, the Trustee shall receive an instrument or instruments purporting to be executed by the Owners of not less than a majority in aggregate principal amount of the CFD Bonds and Parity Bonds Outstanding, which instrument or instruments shall refer to the proposed Supplemental Indenture described in such notice, and shall specifically consent to and approve the adoption thereof by the City substantially in the form of the copy referred to in such notice as on file with the Trustee, such proposed Supplemental Indenture, when duly adopted by the City, shall thereafter become a part of the proceedings for the issuance of the CFD Bonds and any Parity Bonds. In determining whether the Owners of a majority of the aggregate principal amount of the CFD Bonds and Parity Bonds have consented to the adoption of any Supplemental Indenture, CFD Bonds or Parity Bonds which are owned by the City or by any person directly or indirectly controlling or controlled by or under the direct or indirect common control with the City, shall be disregarded and shall be treated as though they were not Outstanding for the purpose of any such determination.

Upon the adoption of any Supplemental Indenture and the receipt of consent to any such Supplemental Indenture from the Owners of not less than a majority in aggregate principal amount of the Outstanding CFD Bonds and Parity Bonds in instances where such consent is required pursuant to the Bond Indenture, the Bond Indenture shall be, and shall be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under the Bond Indenture of the City and all Owners of Outstanding CFD Bonds and Parity Bonds shall thereafter be determined, exercised and enforced under the Bond Indenture, subject in all respects to such modifications and amendments.

Events of Default and Remedial Action.

*Events of Default.* Any one or more of the following events shall constitute an “event of default”:

- (a) Default in the due and punctual payment of the principal of or redemption premium, if any, on any Bond or Parity Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by declaration or otherwise;
- (b) Default in the due and punctual payment of the interest on any Bond or Parity Bond when and as the same shall become due and payable; or
- (c) Except as described in (a) or (b), default shall be made by the City in the observance of any of the agreements, conditions or covenants on its part contained in the Bond Indenture, the CFD Bonds or any Parity Bonds, and such default shall have continued for a period of 30 days after the City shall have been given notice in writing of such default by the Trustee or the Owners of 25% in aggregate principal amount of the Outstanding CFD Bonds and Parity Bonds.

*Remedies of Owners.* Upon the occurrence of an Event of Default, the Trustee may pursue any available remedy at law or in equity to enforce the payment of the principal of, premium, if any, and interest on the Outstanding CFD Bonds and Parity Bonds, and to enforce any rights of the Trustee under or with respect to the Bond Indenture, including:

- (a) By mandamus or other suit or proceeding at law or in equity to enforce his rights against the City and any of the members, officers and employees of the City, and to compel the City or any such members, officers or employees to perform and carry out their duties under the Act and their agreements with the Owners as provided in the Bond Indenture;
- (b) By suit in equity to enjoin any actions or things which are unlawful or violate the rights of the Owners; or

(c) By a suit in equity to require the City and its members, officers and employees to account as the trustee of an express trust.

If an Event of Default shall have occurred and be continuing and if requested so to do by the Owners of at least 25% in aggregate principal amount Outstanding CFD Bonds and Parity Bonds and is indemnified to its satisfaction, the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by the Bond Indenture, as the Trustee, being advised by counsel, shall deem most expedient in the interests of the Owners of the CFD Bonds and Parity Bonds.

No remedy in the Bond Indenture conferred upon or reserved to the Trustee or to the Owners is intended to be exclusive of any other remedy. Every such remedy shall be cumulative and shall be in addition to every other remedy given under the Bond Indenture or now or hereafter existing, at law or in equity or by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the Act or any other law.

*Application of Revenues and Other Funds After Default.* All amounts received by the Trustee pursuant to any right given or action taken by the Trustee under the provisions of the Bond Indenture relating to the CFD Bonds and Parity Bonds shall be applied by the Trustee in the following order upon presentation of the several CFD Bonds and Parity Bonds:

First, to the payment of the fees, costs and expenses of the Trustee in declaring such Event of Default and in carrying out the provisions of the Bond Indenture, including reasonable compensation to its agents, attorneys and counsel, and to the payment of all other outstanding fees and expenses of the Trustee; and

Second, to the payment of the whole amount of interest on and principal of the CFD Bonds and Parity Bonds then due and unpaid, with interest on overdue installments of principal and interest to the extent permitted by law at the net effective rate of interest then borne by the Outstanding CFD Bonds and Parity Bonds; provided, however, that in the event such amounts shall be insufficient to pay in full the full amount of such interest and principal, then such amounts shall be applied in the following order of priority:

(a) first to the payment of all installments of interest on the CFD Bonds and Parity Bonds then due and unpaid on a pro rata basis based on the total amount then due and owing,

(b) second, to the payment of all installments of principal, including Sinking Fund Payments, of the CFD Bonds and Parity Bonds then due and unpaid on a pro rata basis based on the total amount then due and owing, and

(c) third, to the payment of interest on overdue installments of principal and interest on the CFD Bonds and Parity Bonds on a pro rata basis based on the total amount then due and owing.

#### Defeasance.

If the City shall pay or cause to be paid, or there shall otherwise be paid, to the Owner of an Outstanding Bond or Parity Bond the interest due thereon and the principal thereof, at the times and in the manner stipulated in the Bond Indenture or any Supplemental Indenture, then the Owner of such Bond or Parity Bond shall cease to be entitled to the pledge of Special Tax Revenues, and, other than as set forth below, all covenants, agreements and other obligations of the City to the Owner of such Bond or Parity Bond under the Bond Indenture and any Supplemental Indenture relating to such Parity Bond shall thereupon cease, terminate and become void and be discharged and satisfied. In the event of a defeasance of all Outstanding CFD Bonds and Parity Bonds, the Trustee shall execute and deliver to the City all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee shall pay over or deliver to the City's general fund all money or securities held by it pursuant to

the Bond Indenture which are not required for the payment of the principal of, premium, if any, and interest due on such CFD Bonds and Parity Bonds.

Any Outstanding Bond or Parity Bond shall be deemed to have been paid within the meaning expressed in the preceding paragraph if such Bond or Parity Bond is paid in any one or more of the following ways:

(a) by paying or causing to be paid the principal of, premium, if any, and interest on such Bond or Parity Bond, as and when the same become due and payable;

(b) by depositing with the Trustee, in trust, at or before maturity, money which, together with the amounts then on deposit in the Special Tax Fund (exclusive of the Administrative Expense Account) and available for such purpose, is fully sufficient to pay the principal of, premium, if any, and interest on such Bond or Parity Bond, as and when the same shall become due and payable; or

(c) by depositing with the Trustee or another escrow bank appointed by the City, in trust, Federal Securities, in which the City may lawfully invest its money, in such amount as will be sufficient, together with the interest to accrue thereon and moneys then on deposit in the Special Tax Fund (exclusive of the Administrative Expense Account) and available for such purpose, together with the interest to accrue thereon, to pay and discharge the principal of, premium, if any, and interest on such Bond or Parity Bond, as and when the same shall become due and payable;

then, at the election of the City, and notwithstanding that any Outstanding CFD Bonds and Parity Bonds shall not have been surrendered for payment, all obligations of the City under the Bond Indenture and any Supplemental Indenture with respect to such Bond or Parity Bond shall cease and terminate, except for the obligation of the Trustee to pay or cause to be paid to the Owners of any such Bond or Parity Bond not so surrendered and paid, all sums due thereon. Notice of such election shall be filed with the Trustee not less than ten days prior to the proposed defeasance date, or such shorter period of time as may be acceptable to the Trustee. In connection with a defeasance under (b) or (c) above, there shall be provided to the City a verification report from an independent nationally recognized certified public accountant stating its opinion as to the sufficiency of the moneys or securities deposited with the Trustee or the escrow bank to pay and discharge the principal of, premium, if any, and interest on all Outstanding CFD Bonds and Parity Bonds to be defeased, as and when the same shall become due and payable, and an opinion of Bond Counsel (which may rely upon the opinion of the certified public accountant) to the effect that the CFD Bonds or Parity Bonds being defeased have been legally defeased in accordance with the Bond Indenture and any applicable Supplemental Indenture.

Upon a defeasance, the Trustee, upon request of the City, shall release the rights of the Owners of such CFD Bonds and Parity Bonds which have been defeased under the Bond Indenture and any Supplemental Indenture and execute and deliver to the City all such instruments as may be desirable to evidence such release, discharge and satisfaction. In the case of a defeasance under the Bond Indenture of all Outstanding CFD Bonds and Parity Bonds, the Trustee shall pay over or deliver to the City any funds held by the Trustee at the time of a defeasance, which are not required for the purpose of paying and discharging the principal of or interest on the CFD Bonds and Parity Bonds when due. The Trustee shall, at the written direction of the City, mail, first class, postage prepaid, a notice to the Bondowners whose CFD Bonds or Parity Bonds have been defeased, in the form directed by the City, stating that the defeasance has occurred.

Defeasance shall be accomplished only with an irrevocable deposit in escrow of certain investments referred to in the Bond Indenture. Further substitutions of securities in the escrow are not permitted. The deposit in the escrow must be sufficient, without reinvestment, to pay all principal and interest as schedule on the Bonds to and including the date of redemption. Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or

prepayable prior to maturity or earlier redemption of the rated debt (excluding 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).

Conditions for the Issuance of Parity Bonds and Other Additional Indebtedness.

The City may at any time after the issuance and delivery of the CFD Bonds under the Bond Indenture issue Parity Bonds payable from the Special Tax Revenues and other amounts deposited in the Special Tax Fund (other than in the Administrative Expense Account therein) and secured by a lien and charge upon such amounts equal to the lien and charge securing the Outstanding CFD Bonds and any other Parity Bonds theretofore issued under the Bond Indenture or under any Supplemental Indenture; provided, however, that Parity Bonds may only be issued for the purpose of refunding all or a portion of the CFD Bonds or any Parity Bonds then Outstanding. Parity Bonds which may only be issued to effect a partial refunding may be issued subject to the following additional specific conditions, which are made conditions precedent to the issuance of any such Parity Bonds:

(a) The City shall be in compliance with all covenants set forth in the Bond Indenture and any Supplemental Indenture then in effect and a certificate of the City to that effect shall have been filed with the Trustee; provided, however, that Parity Bonds may be issued notwithstanding that the City is not in compliance with all such covenants so long as immediately following the issuance of such Parity Bonds the City will be in compliance with all such covenants.

(b) The issuance of such Parity Bonds shall have been duly authorized pursuant to the Act and all applicable laws, and the issuance of such Parity Bonds shall have been provided for by a Supplemental Indenture duly adopted by the City which shall specify the following:

(1) The purpose for which such Parity Bonds are to be issued and the fund or funds into which the proceeds thereof are to be deposited, including a provision requiring the proceeds of such Parity Bonds to be applied solely for the purpose of refunding any Outstanding CFD Bonds or Parity Bonds, including payment of all costs and the funding of all reserves incidental to or connected with such refunding;

(2) The authorized principal amount of such Parity Bonds;

(3) The date and the maturity date or dates of such Parity Bonds; provided that (i) each maturity date shall fall on an September 1, (ii) all such Parity Bonds of like maturity shall be identical in all respects, except as to number, and (iii) fixed serial maturities or Sinking Fund Payments, or any combination thereof, shall be established to provide for the retirement of all such Parity Bonds on or before their respective maturity dates;

(4) The description of the Parity Bonds, the place of payment thereof and the procedure for execution and authentication;

(5) The denominations and method of numbering of such Parity Bonds;

(6) The amount and due date of each mandatory Sinking Fund Payment, if any, for such Parity Bonds;

(7) The amount, if any, to be deposited from the proceeds of such Parity Bonds in the applicable Reserve Accounts to increase the amount therein to the Proportionate Share of the Reserve Requirement;

(8) The form of such Parity Bonds; and

(9) Such other provisions as are necessary or appropriate and not inconsistent with the Bond Indenture.

(c) The City shall have received the following documents or money or securities, all of such documents dated or certified, as the case may be, as of the date of delivery of such Parity Bonds by the Trustee (unless the Trustee shall accept any of such documents bearing a prior date):

(1) A certified copy of the Supplemental Indenture authorizing the issuance of such Parity Bonds;

(2) A written request of the City as to the delivery of such Parity Bonds;

(3) An opinion of Bond Counsel and/or general counsel to the City to the effect that (a) the City has the right and power under the Act to adopt the Bond Indenture and the Supplemental Indentures relating to such Parity Bonds, and the Bond Indenture and all such Supplemental Indentures have been duly and lawfully adopted by the City, are in full force and effect and are valid and binding upon the City and enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights); (b) the Bond Indenture creates the valid pledge which it purports to create of the Special Tax Revenues and other amounts as provided in the Bond Indenture, subject to the application thereof to the purposes and on the conditions permitted by the Bond Indenture; and (c) such Parity Bonds are valid and binding limited obligations of the City, enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights) and the terms of the Bond Indenture and all Supplemental Indentures thereto and entitled to the benefits of the Bond Indenture and all such Supplemental Indentures, and such Parity Bonds have been duly and validly authorized and issued in accordance with the Act (or other applicable laws) and the Bond Indenture and all such Supplemental Indentures.

(4) A certificate of the City containing such statements as may be reasonably necessary to show compliance with the requirements of the Bond Indenture;

(5) A certificate of an Independent Financial Consultant certifying that (i) the total net interest cost to maturity on the Parity Bonds plus the principal amount of the Parity Bonds exceeds the total net interest cost to maturity on the CFD Bonds or Parity Bonds to be refunded plus the principal amount of the CFD Bonds or Parity Bonds to be refunded, (ii) the maturity date of the Parity Bonds will not exceed the latest maturity date of the CFD Bonds or Parity Bonds being refunded, and (iii) issuance of the Parity Bonds will not adversely impact the ability of the Authority to pay debt service on the Authority CFD Bonds; and

(6) Such further documents, money and securities as are required by the provisions of the Bond Indenture and the Supplemental Indenture providing for the issuance of such Parity Bonds.

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**APPENDIX B**  
**RATE AND METHODS OF APPORTIONMENT OF**  
**SPECIAL TAXES FOR THE CFDs**

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CITY OF ROSEVILLE  
**Highland Reserve North**  
COMMUNITY FACILITIES DISTRICT NO. 1

RATE AND METHOD OF APPORTIONMENT SPECIAL TAX

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**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 Highland Reserve North Community Facilities District No. 1 (the "CFD") of the City of Roseville (the "City") shall be levied and collected according to the tax liability determined by the City through the application of the appropriate amount or rate, as described below.

**2. DEFINITIONS**

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

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

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

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

"**Anticipated Construction Proceeds**" means \$27,300,000 as adjusted annually after the Base Year in accordance with the Engineering News Record Building Cost Index.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"**HRN**" means the Highland Reserve North Specific Plan.

"**Large-Lot Subdivision Map**" means a recorded map delineating Parcels by land use and providing the ability 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. Each time a Taxable Parcel is subdivided, the Maximum Special Tax will be reassigned to the Successor Parcels.

"**Maximum CFD Revenue**" means the sum of the Maximum Special Tax for all of the Taxable Parcels in the CFD.

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

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

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

"**Partial Prepayment**" means a Prepayment for less than the full portion of the Special Tax obligation for a Parcel.

**"Partial Prepayment Factor"** means a factor by which Maximum Special Tax for a Partial Prepayment Parcel is multiplied to calculate an adjusted Maximum Special Tax. The Partial Prepayment Factor for a Partial Prepayment Parcel shall be calculated according to the steps described under Section 7 herein.

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

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

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

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

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

**"Reserve Fund Share"** means the amount on deposit in the Reserve Fund, but in any event not to exceed the required bond reserve as defined in the Bond Indenture, multiplied by the Benefit Share for a given Parcel.

**"Special Tax(es)"** mean(s) any tax levy under the Act in the CFD and as set forth in the definition of Annual Costs and Section 6 herein.

**"Specific Plan Parcel"** means the planned Parcels by land use in the HRN. The Original Parcels are all Specific Plan Parcels at the formation of the CFD as detailed on **Attachment 1** and shown on **Attachment 2**.

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

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

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

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

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

Taxable Parcel acquired by a public agency after formation of the CFD will not be classified as a Tax-Exempt Parcel.

**"Total Facility Cost Share"** means the Benefit Share for a Parcel multiplied by the Anticipated Construction Proceeds for the CFD.

### 3. DETERMINATION OF PARCELS SUBJECT TO SPECIAL TAX

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

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

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

### 3. TERMINATION OF THE SPECIAL TAX

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

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

### 4. ASSIGNMENT OF MAXIMUM SPECIAL TAXES

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

1. Each Parcel to be classified as a Tax-Exempt Parcel or a Taxable Parcel;
2. Each Taxable Parcel to be classified as an Original Parcel, a Successor Parcel, or a Partial Prepayment Parcel. The assignment of the Maximum Special Tax to Taxable Parcels is as follows:
  - a) Prior to Recording Large-Lot Subdivision Map—The Maximum Special Tax for a Parcel that includes more than one Specific Plan Parcel shall be determined by summing the Maximum Special Tax for each Specific Plan Parcel included in the

Parcel. If portions of a Specific Plan Parcel are included in more than one Parcel, the Maximum Special Tax for the Specific Plan Parcel shall be divided between the Parcel's it is included in proportional to the land area included in each Parcel.

- b) Partial Prepayment Parcels — the Maximum Special Tax for all Partial Prepayment Parcels is assigned by multiplying the Maximum Special Tax from **Attachment 1**, or as otherwise calculated for a Successor Parcel, by the Partial Prepayment Factor for that Parcel.
- c) Original Parcel - the Maximum Special Tax for each Original Parcel is as shown on **Attachment 1**.
- d) Successor Parcel - the Maximum Special Tax for each Successor Parcel is determined as follows:
  - (i) If the Successor Parcel is the result of a single-family residential or individually-owned residential condominium Parcel Subdivision, divide the Maximum Special Tax assigned to the Original Parcel or Successor Parcel, as calculated under (c) above or (d)(ii) below, by the number of single-family residential Parcels or residential condominium units. The result of this calculation is the Maximum Special Tax for each single-family residential or residential condominium Successor Parcel within the Subdivision.
  - (ii) If the Successor Parcel is the result of a non-residential or multi-family Subdivision, or a single-family residential Subdivision that is not creating final residential lots:
    - calculate the percentage of the taxable Successor Parcel's square footage to the total square footage for all taxable Successor Parcels of that Original or Successor Parcel; 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.
- e) Residential Unit/Maximum Special Tax Transfer - the Maximum Special Tax assigned to a residential Parcel under (a), (b), (c), or (d) above, may be adjusted to reflect a change in the number of original residential units (as shown in **Attachment 1**) resulting from a transfer of units from one Taxable Parcel to another Taxable Parcel in the following manner:
  - (i) 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;
  - (ii) Calculate the total Maximum Special Tax being transferred by multiplying the number of units being transferred by the calculation in (i) above. Add the total Maximum Special Tax and number units being transferred to the Parcel(s) receiving the transferred units and Maximum Special Tax.

- (iii) Subtract the total Maximum Special Tax and the number of residential units being transferred, as identified in step (ii) above, from the Parcel transferring the Maximum Special Tax and the residential units.

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

- (i) any decrease in one Parcel's Maximum Special Tax assignment is offset by an equal increase in the Maximum Special Tax of other Parcels to ensure that there is no net loss in the total Maximum Special Taxes; and,
  - (ii) all adjustments are agreed to in writing by the affected property owners and the Finance Director.
- f) If the assignment of Maximum Special Taxes to Successor Parcels under step d) above or through a transfer of Maximum Special Tax in step e) above results in unequal Maximum Special Taxes between residential Subdivisions, the revised Maximum Special Taxes may be adjusted further to accommodate a uniform Special Tax between adjacent subdivisions. Such adjustments shall also be subject to the transfer conditions under step e) above.
- g) Conversion of a Tax-Exempt Parcel to a Taxable Parcel - if a parcel designated as a Public Parcel is not needed for public use and is converted to a private use, it shall become subject to the Special Tax. The Maximum Special Tax for each such Parcel shall be set equal to the average Maximum Special Tax per unit or acre for Parcels with similar land use designations, as determined by the Finance Director.
- h) Taxable Parcels Acquired by a Public Agency — A Taxable Parcel that is acquired by a public agency after the CFD is formed will remain subject to the applicable Special Tax unless the Special Tax obligation is satisfied pursuant to Section 53317.5 of the Government Code. An exception to this may be made if a Public Parcel within the CFD is relocated to a Taxable Parcel, the previously Tax-Exempt Parcel of comparable acreage becomes a Taxable Parcel, and the Maximum Special Tax from the previously Taxable Parcel is transferred to the newly Taxable Parcel. This trading of Parcels will be permitted to the extent that there is no net loss in Maximum CFD Revenue.

## 6. SETTING THE ANNUAL SPECIAL TAX LEVY

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

- 1) Compute the Annual Costs using the definitions in Section 2.
- 1) Calculate the Special Tax for each Parcel as follows:
  - Step 1: Compute 100% of the Maximum Special Tax revenue for all Taxable Parcels.
  - Step 2: Compare the Annual Costs with the Maximum Special Tax revenue calculated in the previous step.
  - Step 3: If the Annual Costs are less than the Maximum Special Tax revenue, decrease proportionately the Special Tax levy for each Taxable Parcel until the Special Tax revenue equals the Annual Cost.

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

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

As development and subdivision of HRN takes place, the Finance Director will maintain a file of each current assessor's parcel number within the CFD and the authorized Maximum Special Tax on all such Parcels 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 Maximum Special Tax each time a Successor Parcel was created. The record will also indicate whether a Parcel is a Prepayment Parcel or a Partial Prepayment Parcel.

## **7. PREPAYMENT OF SPECIAL TAX OBLIGATION**

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

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

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

The Full Prepayment amount shall be established by following the steps in Part A and B below. The Partial Prepayment is calculated by following the steps in Part C below. Transfers from the Reserve Fund for a Full or Partial Prepayment are described in Part D below.

### **Part A: Prepayment of Outstanding Bond Share**

Step A.1: Determine the Maximum Special Tax for the Parcel based on the assignment of the Maximum Special Tax described in Section 5 above.

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

Part B: Remaining Facility Cost Share

- Step B.1: Determine the Total Facility Cost Share for the Parcel by multiplying the Benefit Share from Part A, Step A.2 above by the Anticipated Construction Proceeds.
- Step B.2: Determine the share of facilities funded by bonds already issued by the CFD for the Parcel by multiplying the Benefit Share by the construction proceeds made available from all such bonds issued by the CFD. These amounts shall be adjusted to the year of Prepayment by using the Engineering News Record Construction Cost Index.
- Step B.3: Determine the share of facilities funded with any pay-as-you-go special tax revenues by multiplying the Benefit Share by the total amount of pay-as-you-go funding used to acquire authorized facilities.
- Step B.4: Determine the remaining facility cost share for the Parcel by subtracting the results from Steps B.2 and B.3 above from the Total Facility Cost Share determined in Step B.1. (Notwithstanding the above, once the City has issued all bonds for the CFD, the remaining facility cost share shall be set to zero for purposes of this prepayment calculation.)
- Step B.5: The Bond Authorization for the CFD shall be reduced by an amount equal to the amount determined in Step B.4 above multiplied by a factor of 1.15.
- Step B.6: Combine the amount from Part A Step A.5 with the amount from Part B Step B.4 to arrive at the Full Prepayment amount.**

Part C: Partial Prepayments

If the prepayment is a partial prepayment, then the property owner shall designate an amount which is less than the total prepayment amount determined above for the prepaying Parcel (or group of prepaying Parcels) that results in a bond call in a whole number multiple of \$5,000. In no event shall

a Partial Prepayment be for less than twenty-five percent (25%) of the full Prepayment amount. The City shall then determine the Partial Prepayment Factor by the following procedure:

- Step C.1: Subtract the amount of the Partial Prepayment from the Full Prepayment amount calculated in Step B.6 above;
- Step C.2: Subtract any fixed costs (such as the cost of the Prepayment calculation and other fees that do not vary proportionally with the size of the prepayment) of the Prepayment from the Full Prepayment amount;
- Step C.3: Divide the result of Step 1 by the result of Step C.2 above; and,
- Step C.4: If a Partial Prepayment has previously been made for this Parcel, multiply the result of Step C. 3 above times the previously calculated Partial Prepayment Factor.

#### Part D: Transfers

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

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

## **8. ADMINISTRATIVE CHANGES AND APPEALS**

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

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

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

## **9. MANNER OF COLLECTION**

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

**Attachment 1**  
**Highland Reserve North CFD No. 1**  
**Maximum Special Taxes**  
**By Specific Plan Parcel**

Specific Plan Parcel [1]	Residential Units	Maximum Special Tax
1A	79	\$103,332
1B	108	\$141,264
2	151	\$197,508
3A	44	\$57,552
3B	89	\$116,412
4	135	\$176,580
5	65	\$85,020
6	83	\$108,564
7	96	\$125,568
8	94	\$122,952
9A	104	\$136,032
9B	50	\$65,400
10	85	\$111,180
20	117	\$126,360
30	250	\$126,000
31	220	\$110,880
40		\$93,522
41		\$81,774
42A		\$120,516
42B		\$24,750
43A		\$135,960
43B		\$6,600
44		\$26,136
45A		\$11,577
45B		\$101,838
46A		\$63,162
46B		\$71,148
46C		\$108,438
47A		\$62,304
47B		\$62,700
47C		\$61,908
<b>Total</b>	<b>1,770</b>	<b>\$2,942,937</b>

*"attachment1"*

[1] All Taxable Parcels were included in Assessor's Parcel 071-121-30 at the time of CFD formation.

CITY OF ROSEVILLE  
**Woodcreek East**  
COMMUNITY FACILITIES DISTRICT NO. 1

RATE AND METHOD OF APPORTIONMENT 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 Woodcreek East Community Facilities District No. 1 (the "CFD") of the City of Roseville (the "City") shall be levied and collected according to the tax liability determined by the City through the application of the appropriate amount or rate, as described below.

**2. DEFINITIONS**

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

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

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

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

**"Anticipated Facility Costs"** means \$4,314,300 as adjusted annually after the Base Year in accordance with the Engineering News Record Building Cost Index.

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

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

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

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

**"CFD"** means the Woodcreek East Community Facilities District No. 1 of the City of Roseville.

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

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

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

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

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

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

**"Final Small-Lot Subdivision Map"** means a recorded map designating the final small-lot Parcel splits for individual single-family residential Parcels. A Large-Lot Subdivision Map for single-family residentially zoned land is not considered a Final Small-Lot 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.

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

**"Maximum Special Tax"** means the greatest amount of Special Tax that can be levied against a Taxable Parcel in any Fiscal Year. Each time a Taxable Parcel is subdivided, the Maximum Special Tax will be reassigned to the Successor Parcels. The Maximum Special Tax at the formation of the CFD is shown in **Attachment 1**.

**"Maximum CFD Revenue"** means the sum of the Maximum Special Tax for all of the Taxable Parcels in the CFD.

**"Original Parcel"** means the large-lot parcel as it existed at the time of the adoption of the Resolution of Formation by the Council, as shown on **Map 1**.

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

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

**"Partial Prepayment"** means a Prepayment for less than the full portion of the Special Tax obligation for a Parcel.

**"Partial Prepayment Factor"** means a factor by which Maximum Special Tax for a Partial Prepayment Parcel is multiplied to calculate an adjusted Maximum Special Tax. The Partial Prepayment Factor for a Partial Prepayment Parcel shall be calculated according to the steps described under Section 7 herein.

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

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

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

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

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

**"Reserve Fund Share"** means the amount on deposit in the Reserve Fund, but in any event not to exceed the required bond reserve as defined in the Bond Indenture, multiplied by the Benefit Share for a given Parcel.

**"Special Tax(es)"** mean(s) any tax levy under the Act in the CFD and as set forth in the definition of Annual Costs and Section 6 herein.

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

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

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

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

**"Tax-Exempt Parcel"** means a Parcel not subject to the Special Tax. Tax-Exempt Parcels include: (1) Public Parcels identified at the formation of the CFD or created by Subdivision of an Original or Successor Parcel where all of the taxes from the previous Original or Successor Parcel(s) have been assigned to the Taxable parcels, and (2) any Parcel that has prepaid its Special Taxes under Section 7 hereof. A Taxable Parcel acquired by a public agency after formation of the CFD will not be classified as a Tax-Exempt Parcel.

**"Total Facility Cost Share"** means the Benefit Share for a Parcel multiplied by the Anticipated Facility Costs for the CFD.

**"Woodcreek East"** means the Woodcreek East development of the North Industrial Plan Area (NIPA) as shown in **Map 1**.

### **3. DETERMINATION OF PARCELS SUBJECT TO SPECIAL TAX**

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

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

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

### **4. TERMINATION OF THE SPECIAL TAX**

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

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

## 5. ASSIGNMENT OF MAXIMUM SPECIAL TAXES

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

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

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

- a) Partial Prepayment Parcels — the Maximum Special Tax for all Partial Prepayment Parcels is assigned by multiplying the Maximum Special Tax from **Attachment 1**, or as otherwise calculated for a Successor Parcel, by the Partial Prepayment Factor for that Parcel.
- b) Original Parcel - the Maximum Special Tax for each Original Parcel is as shown on **Attachment 1**.
- c) Successor Parcel - the Maximum Special Tax for each Successor Parcel is determined as follows:
  - (i) If the Successor Parcel is the result of a single-family residential or individually-owned residential condominium Parcel Subdivision, divide the Maximum Special Tax assigned to the Original Parcel or Successor Parcel, as calculated under (c) above or (d) (ii) below, by the number of single-family residential Parcels or residential condominium units. The result of this calculation is the Maximum Special Tax for each single-family residential or residential condominium Successor Parcel within the Subdivision.
- d) Residential Unit/Maximum Special Tax Transfer - the Maximum Special Tax assigned to a residential Parcel under (a), (b), or (c) above, may be adjusted to reflect a change in the number of original residential units (as shown in **Attachment 1**) resulting from a transfer of units from one Taxable Parcel to another Taxable Parcel in the following manner:
  - (i) 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;
  - (ii) Calculate the total Maximum Special Tax being transferred by multiplying the number of units being transferred by the calculation in (i) above. Add the total Maximum Special Tax and number units being transferred to the Parcel(s) receiving the transferred units and Maximum Special Tax.

- (iii) Subtract the total Maximum Special Tax and the number of residential units being transferred, as identified in step (ii) above, from the Parcel transferring the Maximum Special Tax and the residential units.

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

- (i) any decrease in one Parcel's Maximum Special Tax assignment is offset by an equal increase in the Maximum Special Tax of other Parcels to ensure that there is no net loss in the total Maximum Special Taxes; and,
  - (ii) all adjustments in the Special Tax are agreed to in writing by the affected property owners and the Finance Director.
- e) If the assignment of Maximum Special Taxes to Successor Parcels under step c) above or through a transfer of Maximum Special Tax in step d) above results in unequal Maximum Special Taxes between residential Subdivisions within the subdivision of the CFD, the revised Maximum Special Taxes may be adjusted further to accommodate a uniform Special Tax between adjacent subdivisions. Such adjustments shall also be subject to the transfer conditions under step d) above.
- f) Conversion of a Tax-Exempt Parcel to a Taxable Parcel - if a parcel designated as a Public Parcel is not needed for public use and is converted to a private use, it shall become subject to the Special Tax. The Maximum Special Tax for each such Parcel shall be set equal to the average Maximum Special Tax per unit or acre for Parcels with similar land use designations, as determined by the Finance Director.
- g) Taxable Parcels Acquired by a Public Agency — A Taxable Parcel that is acquired by a public agency after the CFD is formed will remain subject to the applicable Special Tax unless the Special Tax obligation is satisfied pursuant to Section 53317.5 of the Government Code. An exception to this may be made if a Public Parcel within the CFD is relocated to a Taxable Parcel, the previously Tax-Exempt Parcel of comparable acreage becomes a Taxable Parcel, and the Maximum Special Tax from the previously Taxable Parcel is transferred to the newly Taxable Parcel. This trading of Parcels will be permitted to the extent that there is no net loss in Maximum CFD Revenue.

## **6. SETTING THE ANNUAL SPECIAL TAX LEVY**

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) Calculate the Special Tax for each Parcel as follows:

Step 1: Compute 100% of the Maximum Special Tax revenue for all Taxable Parcels.

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

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

As development and subdivision of Woodcreek East takes place, the Finance Director will maintain a file of each current assessor's parcel number within the CFD and the authorized Maximum Special Tax on all such Parcels 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 Maximum Special Tax each time a Successor Parcel was created. The record will also indicate whether a Parcel is a Prepayment Parcel or a Partial Prepayment Parcel. 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.

## **7. PREPAYMENT OF SPECIAL TAX OBLIGATION**

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

- Prepayments must be made by May 1 in order to have the Prepayment reflected in the following Fiscal Year's Special Tax Levy.
- The Parcel is a whole Original Parcel greater than one acre, a Successor Parcel greater than ten acres, or a group of contiguous Successor Parcels, greater than or equal to ten gross acres, with a common owner. However, if an Original Parcel or a Successor Parcel larger than ten acres is subdivided by a final Large-Lot Subdivision Map and a Successor Parcel less than ten acres results, the smaller Successor Parcel(s) will be allowed to take advantage of the same Prepayment provisions offered to the Parcel from which it was created.
- The City determines that the Prepayment of the Special Tax obligation does not jeopardize its ability to make timely payments of debt service on Outstanding Bonds.

- Any landowner prepaying the Special Tax obligation must pay any and all delinquent Special Taxes and penalties for the prepaying Parcel.
- Prior to the calculation of the prepayment amount, the landowner must notify the City whether such landowner intends to execute a full Prepayment or Partial Prepayment. If the landowner intends to execute a Partial Prepayment, the landowner shall further notify the City of the dollar amount of the intended Prepayment. In no event shall a Partial Prepayment be for less than twenty-five percent (25%) of the full Prepayment amount.

The Full Prepayment amount shall be established by following the steps below. The Partial Prepayment is calculated by following the steps in Part B below. Transfers from the Reserve Fund for a Full or Partial Prepayment are described in Part C below

Part A: Prepayment of Outstanding Bond Share

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

Part B: Remaining Facility Cost Share

- Step B.1: Determine the Total Facility Cost Share for the Parcel by multiplying the Benefit Share from Part A, Step A.2 above by the Anticipated Facility Costs.
- Step B.2: Determine the share of facilities funded by bonds already issued by the CFD for the Parcel by multiplying the Benefit Share by the construction proceeds made available from all such bonds issued by the CFD. These amounts shall be

adjusted to the year of Prepayment by using the Engineering News Record Construction Cost Index.

- Step B.3: Determine the share of facilities funded with any pay-as-you-go special tax revenues by multiplying the Benefit Share by the total amount of pay-as-you-go funding used to acquire authorized facilities.
- Step B.4: Determine the remaining facility cost share for the Parcel by subtracting the results from Steps B.2 and B.3 above from the Total Facility Cost Share determined in Step B.1. (Notwithstanding the above, once the City has issued all bonds for the CFD, the remaining facility cost share shall be set to zero for purposes of this prepayment calculation.)
- Step B.5: The Bond Authorization for the CFD shall be reduced by an amount equal to the amount determined in Step B.4 above multiplied by a factor of 1.15.
- Step B.6: Combine the amount from Part A Step A.5 with the amount from Part B Step B.4 to arrive at the Full Prepayment amount.**

#### Part C: Partial Prepayments

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

- Step C.1: Subtract the amount of the Partial Prepayment from the Full Prepayment amount calculated in Step B.6 above;
- Step C.2: Subtract any fixed costs (such as the cost of the Prepayment calculation and other fees that do not vary proportionally with the size of the prepayment) of the Prepayment from the Full Prepayment amount;
- Step C.3: Divide the result of Step 1 by the result of Step C.2 above; and,
- Step C.4: If a Partial Prepayment has previously been made for this Parcel, multiply the result of Step C. 3 above times the previously calculated Partial Prepayment Factor.

#### Part D: Transfers

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

- Step D1: For a Full Prepayment transfer the amount of the Reserve Fund Share.

Step D.2: For a Partial Prepayment, transfer an amount equal to the Reserve Fund Share times one minus the Partial Prepayment Factor.

## **8. ADMINISTRATIVE CHANGES AND APPEALS**

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

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

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

## **9. MANNER OF COLLECTION**

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

**Attachment 1  
Woodcreek East CFD No. 1  
Maximum Special Taxes**

Original Parcel	Land Use	Residential Units	Annual Maximum Special Tax
[1] 017-114-060	LDR	[2] 350	\$584,335
017-114-061	N/A	0	\$0

[1] Represents all Taxable Parcels at the time of CFD Formation.

[2] Represents entitlement under project Development Agreement.

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**APPENDIX C**

**JANUARY 2006 CONTINUING DISCLOSURE ANNUAL REPORTS FOR the CFDS**

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**CITY OF ROSEVILLE  
HIGHLAND RESERVE NORTH  
COMMUNITY FACILITIES DISTRICT NO. 1  
\$33,470,000 SPECIAL TAX BONDS  
SERIES 1999**

**Placer County, California  
Dated: October 1, 1999  
CUSIP: 777870**



**2005 ANNUAL CONTINUING DISCLOSURE  
INFORMATION STATEMENT**

**January 5, 2006**

## LIST OF PARTICIPANTS

**CITY OF ROSEVILLE**  
***www.roseville.ca.us***

Russ Branson  
Director of Finance  
311 Vernon Street  
Roseville, CA 95678  
(916) 774-5319  
Rbranson@roseville.ca.us

**DISTRICT ADMINISTRATION**  
**DISCLOSURE CONSULTANT & DISSEMINATION AGENT**

MuniFinancial\*  
Temecula, California  
(951) 587-3500  
***www.muni.com***

**UNDERWRITER**

Stone & Youngberg LLC

**BOND COUNSEL**

Jones Hall, a Professional Law Corporation

**FISCAL AGENT**

Sally Ronquillo  
The Bank of New York Trust Company, N.A.  
550 Kearny Street, Suite 600  
San Francisco, CA 94108  
Phone (415) 263-2412  
Rronquillo@bankofny.com  
[www.bankofny.com](http://www.bankofny.com)

\* In its role as Disclosure Consultant and Dissemination Agent, MuniFinancial has not passed upon the accuracy, completeness or fairness of the statements contained herein.

## ***I. INTRODUCTION***

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Pursuant to an Official Statement dated September 28, 1999, the City of Roseville, (the “City”) issued \$33,470,000 Highland Reserve North Community Facilities District No. 1, Special Tax Bonds Series 1999 (the “Bonds”). The Bonds were issued to acquire a portion of certain public facilities benefiting Highland Reserve North Community Facilities District No. 1 (the “District”).

The City of Roseville is located in Placer County, California, 16 miles northeast of Sacramento at the base of the Sierra Nevada foothills along Interstate 80.

The District covers approximately 575 acres of which 473 acres are planned for residential and commercial uses. The remaining 102 acres of the district represent park, open space and other public uses. The specific plan area is generally bounded by the Blue Oaks Boulevard/Highway 65 interchange on the west, Stanford Ranch Road and the City Limits on the east, State Highway 65 bypass on the south and the City of Rocklin on the north.

The Bonds are being issued by the City, by and through the District to acquire a portion of public facilities to benefit the District. The Bonds are limited obligations payable by special taxes (the “Special Tax”) levied on the properties in the District. The Bonds are not a debt of the City, the State of California, or any of its political subdivisions and neither the City, the State of California, nor any of its political subdivisions is liable. The Bonds do not constitute indebtedness within the meaning of any constitutional or statutory debt limit or restriction.

This Annual Continuing Disclosure Information Statement is being provided pursuant to a covenant made by the City for the benefit of the holders of the Bonds and includes the information specified in the Continuing Disclosure Agreement. For further information and a more complete description of the City, the District, and the Bonds, reference is made to the Official Statement.

The information set forth herein has been furnished by the City and by sources, which are believed to be accurate and reliable but is not guaranteed as to accuracy or completeness. Statements contained in this Annual Continuing Disclosure Information Statement which involve estimates, forecasts, or other matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. Further, the information and expressions of opinion contained herein are subject to change without notice and the delivery of this Annual Continuing Disclosure Information Statement will not, under any circumstances, create any implication that there has been no change in the affairs of the City, the District or any other parties described herein.

## **II. BOND INFORMATION**

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### **A. PRINCIPAL OUTSTANDING**

<b>Bond Issue</b>	<b>Balance as of September 30, 2005</b>
Special Tax Bonds, Series 1999	\$28,700,000

Bonds of \$1,200,000 were redeemed on March 1, 2005 due to an earlier prepayment of the Special Tax Obligation of a parcel within the District. This bond call is reflected on the Revised Debt Service Schedule reported in the last page of the Annual Continuing Disclosure Information Statement.

### **B. FUND INFORMATION**

<b>Fund</b>	<b>Balance as of September 30, 2005</b>
Reserve Fund	\$2,694,083
Reserve Requirement	\$2,562,632
Improvement Fund	\$0

## **III. FINANCIAL INFORMATION**

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The audited financial statements for the City for the Fiscal Year Ended June 30, 2005 will be separately filed with the Nationally Recognized Municipal Securities Information Repositories and are hereby incorporated by reference into this Annual Continuing Disclosure Information Statement.

## **IV. OPERATING INFORMATION**

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### **A. AUTHORIZATION OF ADDITIONAL DEBT**

Since the date of issuance of the Bonds, the City has not authorized any additional debt payable or secured by the assessments or special taxes with respect to property within the District.

### **B. FINANCED FACILITIES**

All of the District's Financed Facilities required for development within the District have been completed.

### C. PRINCIPAL PROPERTY OWNERS

The following table sets forth the property owners in the District who are responsible for more than 5% of the Special Taxes levied in fiscal year 2005/06. Ownership and assessed value information was compiled from the latest Secured Property Roll of the Placer County Assessor and does not reflect any subsequent development, changes of ownership, nor changes in assessed value due to changes of ownership. Therefore, the assessed value figures herein may not reflect recent development within the District, if any.

Property Owner	Number of Parcels	2005/06 Assessed Land Value	2005/0 Assessed Structure Value	2005/06 Total Assessed Value	2005/06 Maximum Tax	Bonded Debt <sup>(1)</sup>	Assessed Value To Bonded Debt	Percent of Bonded Debt
Blue Oaks Fairway LLC	2	\$6,574,119	\$0	\$6,574,119	\$145,266	\$1,486,134	4.42	5.18%
Kobra Properties	10	6,973,011	6,165,080	13,138,091	140,437	1,436,731	9.14	5.01%
All other Owners	1,321	161,831,993	357,447,147	519,279,140	2,519,653	25,777,135	20.14	89.81%
<b>Total</b>	<b>1,333</b>	<b>\$175,379,123</b>	<b>\$363,612,227</b>	<b>\$538,991,350</b>	<b>\$2,805,356</b>	<b>\$28,700,000</b>	<b>18.78</b>	<b>100.00%</b>

(1) Bonded Debt is based on each parcel's proportionate share of the FY 2005/06 Maximum Annual Tax times the Bonds outstanding.

Source: Assessed Values – Placer County 2005/06 Secured Property Roll, as compiled by MuniFinancial.

### D. RESIDENTIAL DEVELOPMENT SUMMARY

Parcels representing 1,344 residential units of the District's planned 1,676 residential units have been developed according to the Placer County 2005/06 secured property roll. The Special Tax Obligation for 250 of the 1,344 developed units has been prepaid.

## E. DEVELOPMENT STATUS

The following table reflects the development status and other information for properties owned by entities responsible for 5% or more of the District's FY 2005/06 Special Tax Levy:

Property Owner	CFD Parcel No.	No. of Parcels Levied	2005/06 Assessed Land Value	2005/06 Assessed Structure Value	Total 2005/06 Assessed Value	Land Use	Development Status			
							Specific Plan Approval Only	Project Approved	Under Construction	Developed/ Completed
Blue Oaks Fairway LLC	42A	1	\$5,325,037	\$0	\$5,325,037	Commercial	X			
Blue Oaks Fairway LLC	42B	1	1,249,082	0	1,249,082	Commercial	X			
Kobra Properties	46A (portion)	4	1,885,859	5,130,080	7,015,939	Commercial				X
Kobra Properties	45B (portion)	2	1,531,445	1,035,000	2,566,445	Commercial				X
Kobra Properties	45B (portion)	4	3,555,707	0	3,555,707	Commercial			X	
<b>Subtotal</b>		<b>12</b>	<b>\$13,547,130</b>	<b>\$6,165,080</b>	<b>\$19,712,210</b>					
All Others		1,321	161,831,993	357,447,147	519,279,140					
<b>Total</b>		<b>1,333</b>	<b>\$175,379,123</b>	<b>\$363,612,227</b>	<b>\$538,991,350</b>					

Source: Assessed Values – Placer County 2005/06 Secured Property Roll, Land Use and Development Status - City of Roseville's 3rd Quarter 2005 Development Report dated November 2005.

## F. VALUE TO LIEN

The following table sets forth a summary of the assessed value of the District's Parcels on which Special Taxes were levied, as shown on the assessment roll of the Placer County Assessor and the estimated bonded debt for all of the Parcels.

<b>Value To Bonded Debt <sup>(1)</sup></b>	<b>Number Of Parcels</b>	<b>2005/06 Total Assessed Value</b>	<b>Bonded Debt <sup>(1)</sup></b>	<b>Percent Of Bonded Debt</b>
20:1 or Greater	976	\$409,285,083	\$15,211,644	53.00%
10:1 to 19.99:1	89	93,602,685	5,705,707	19.88%
5:1 to 9.99:1	54	12,802,883	1,840,483	6.42%
3:1 to 4.99:1	214	23,300,699	5,942,166	20.70%
<b>Total</b>	<b>1,333</b>	<b>\$538,991,350</b>	<b>\$28,700,000</b>	<b>100.00%</b>

(1) Bonded Debt is based on each parcel's proportionate share of the FY 2005/06 Maximum Annual Tax times the Bonds outstanding.

Source: Assessed Values – Placer County 2005/06 Secured Property Roll, as compiled by MuniFinancial.

## G. DEBT SERVICE COVERAGE

The following table shows the District's debt service coverage for fiscal year 2005/06.

<b>Description</b>	<b>2005/06 Amount</b>	<b>2005/06 Debt Service <sup>(1)</sup></b>	<b>2005/06 Debt Service Coverage</b>
Maximum Special Tax	\$2,805,356	\$2,557,430	109.69%
Special Tax Levy	\$2,754,543	\$2,557,430	107.71%

(1) This amount represents the calendar year 2006 debt service. In order to compensate for the six-month delay between the start of the District's fiscal year and the receipt of the Special Tax collections from the County, the calendar year debt service is used to calculate the fiscal year levy.

## H. DELINQUENCY SUMMARY

The following table sets forth the Annual Special Taxes and delinquencies of the District for all tax years with delinquent installments.

<b>Fiscal Year</b>	<b>Number of Parcels</b>	<b>Parcels Delinquent</b>	<b>Annual Special Tax</b>	<b>Amount Delinquent</b>	<b>Percent Delinquent</b>
2003/04	984	1	\$2,573,534	\$1,235	0.05%
2004/05	1,055	40	\$2,640,143	\$31,730	1.20%

Source: Placer County Tax Collector data as of April 21, 2005, compiled by MuniFinancial.

**I. DELINQUENCIES BY PRINCIPAL PROPERTY OWNERS**

As of April 21, 2005, there are no property owners who are responsible for 5% or more of the Special Taxes and are delinquent in the payment of their Special Taxes in the District.

**J. FORECLOSURE PROCEEDINGS**

No foreclosure actions have been required.

***V. DEBT SERVICE SCHEDULE***

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The Debt Service Schedule of the Bonds is shown on the following page.

**City of Roseville**  
**Highland Reserve North Community Facilities District No. 1**  
**REVISED DEBT SERVICE SCHEDULE**

**Dated Date:** 10/1/1999  
**First Coupon:** 3/1/2000  
**First Maturity:** 9/1/2001

Payment Due	Interest Rate	Bond Call	Called Amount	Principal Due	Interest Due	Semi-Annual Payment	Total Annual
3/1/2000					\$851,301.04	\$851,301.04	
9/1/2000	4.70000%			0.00	1,021,561.25	1,021,561.25	1,872,862.29
3/1/2001					1,021,561.25	1,021,561.25	
9/1/2001	4.70000%	125,000.00		630,000.00	1,021,561.25	1,780,311.25	2,801,872.50
3/1/2002					1,002,896.25	1,002,896.25	
9/1/2002	4.90000%			660,000.00	1,002,896.25	1,662,896.25	2,665,792.50
3/1/2003					986,726.25	986,726.25	
9/1/2003	5.10000%			695,000.00	986,726.25	1,681,726.25	2,668,452.50
3/1/2004					969,003.75	969,003.75	
9/1/2004	5.12500%			730,000.00	969,003.75	1,699,003.75	2,668,007.50
3/1/2005		1,200,000.00			950,297.50	2,186,297.50	
9/1/2005	5.30000%		35,000.00	730,000.00	913,060.00	1,643,060.00	3,829,357.50
3/1/2006					893,715.00	893,715.00	
9/1/2006	5.40000%		35,000.00	770,000.00	893,715.00	1,663,715.00	2,557,430.00
3/1/2007					872,925.00	872,925.00	
9/1/2007	6.00000%		38,000.00	812,000.00	872,925.00	1,684,925.00	2,557,850.00
3/1/2008					848,565.00	848,565.00	
9/1/2008	6.00000%		39,000.00	861,000.00	848,565.00	1,709,565.00	2,558,130.00
3/1/2009					822,735.00	822,735.00	
9/1/2009	6.00000%		39,000.00	916,000.00	822,735.00	1,738,735.00	2,561,470.00
3/1/2010					795,255.00	795,255.00	
9/1/2010	6.00000%		44,000.00	966,000.00	795,255.00	1,761,255.00	2,556,510.00
3/1/2011					766,275.00	766,275.00	
9/1/2011	6.00000%		45,000.00	1,025,000.00	766,275.00	1,791,275.00	2,557,550.00
3/1/2012					735,525.00	735,525.00	
9/1/2012	6.30000%		49,000.00	1,086,000.00	735,525.00	1,821,525.00	2,557,050.00
3/1/2013					701,316.00	701,316.00	
9/1/2013	6.30000%		50,000.00	1,160,000.00	701,316.00	1,861,316.00	2,562,632.00
3/1/2014					664,776.00	664,776.00	
9/1/2014	6.30000%		55,000.00	1,230,000.00	664,776.00	1,894,776.00	2,559,552.00
3/1/2015					626,031.00	626,031.00	
9/1/2015	6.30000%		60,000.00	1,305,000.00	626,031.00	1,931,031.00	2,557,062.00
3/1/2016					584,923.50	584,923.50	
9/1/2016	6.30000%		61,000.00	1,389,000.00	584,923.50	1,973,923.50	2,558,847.00
3/1/2017					541,170.00	541,170.00	
9/1/2017	6.30000%		66,000.00	1,479,000.00	541,170.00	2,020,170.00	2,561,340.00
3/1/2018					494,581.50	494,581.50	
9/1/2018	6.30000%		71,000.00	1,569,000.00	494,581.50	2,063,581.50	2,558,163.00
3/1/2019					445,158.00	445,158.00	
9/1/2019	6.30000%		77,000.00	1,668,000.00	445,158.00	2,113,158.00	2,558,316.00
3/1/2020					392,616.00	392,616.00	
9/1/2020	6.30000%		82,000.00	1,773,000.00	392,616.00	2,165,616.00	2,558,232.00
3/1/2021					336,766.50	336,766.50	
9/1/2021	6.30000%		83,000.00	1,887,000.00	336,766.50	2,223,766.50	2,560,533.00
3/1/2022					277,326.00	277,326.00	
9/1/2022	6.30000%		88,000.00	2,007,000.00	277,326.00	2,284,326.00	2,561,652.00
3/1/2023					214,105.50	214,105.50	
9/1/2023	6.30000%		94,000.00	2,131,000.00	214,105.50	2,345,105.50	2,559,211.00
3/1/2024					146,979.00	146,979.00	
9/1/2024	6.30000%		104,000.00	2,261,000.00	146,979.00	2,407,979.00	2,554,958.00
3/1/2025					75,757.50	75,757.50	
9/1/2025	6.30000%		110,000.00	2,405,000.00	75,757.50	2,480,757.50	2,556,515.00
<b>Totals:</b>		<b>\$1,325,000.00</b>	<b>\$1,325,000.00</b>	<b>\$32,145,000.00</b>	<b>\$34,169,597.79</b>	<b>\$67,679,347.79</b>	<b>\$67,679,347.79</b>

Outstanding Principal	\$28,700,000.00
Matured Principal	3,445,000.00
Called Principal	1,325,000.00
<b>Total Bond Issue</b>	<b>\$33,470,000.00</b>

**CITY OF ROSEVILLE  
WOODCREEK EAST  
COMMUNITY FACILITIES DISTRICT NO. 1  
\$5,465,000 SPECIAL TAX BONDS  
SERIES 2000**

**Placer County, California  
Dated: November 9, 2000  
CUSIP: 777870**



**2005 ANNUAL CONTINUING DISCLOSURE  
INFORMATION STATEMENT**

**January 10, 2006**

# LIST OF PARTICIPANTS

**CITY OF ROSEVILLE**  
***www.roseville.ca.us***

Russ Branson  
Director of Finance  
311 Vernon Street  
Roseville, CA 95678  
(916) 774-5319  
Rbranson@roseville.ca.us

**DISTRICT ADMINISTRATION**  
**DISCLOSURE CONSULTANT & DISSEMINATION AGENT**

MuniFinacial\*  
Temecula, California  
(951) 587-3500  
***www.muni.com***

**UNDERWRITER**

Stone & Youngberg, LLC

**BOND COUNSEL**

Jones Hall, a Professional Law Corporation

**FISCAL AGENT**

Sally Ronquillo  
The Bank of New York Trust Company, N.A.  
550 Kearny Street, Suite 600  
San Francisco, CA 94108  
Phone (415) 263-2412  
Rronquillo@bankofny.com  
[www.bankofny.com](http://www.bankofny.com)

\* In its role as Disclosure Consultant and Dissemination Agent, MuniFinacial has not passed upon the accuracy, completeness or fairness of the statements contained herein.

## ***I. INTRODUCTION***

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Pursuant to an Official Statement dated November 9, 2000, the City of Roseville, (the “City”) issued \$5,465,000 Woodcreek East Community Facilities District No. 1, Special Tax Bonds Series 2000 (the “Bonds”). The Bonds are being issued to construct and acquire a portion of certain public facilities on behalf of the District.

The City of Roseville is located in Placer County, California, 16 miles northeast of Sacramento at the base of the Sierra Nevada foothills along Interstate 80.

The District covers approximately 181 gross acres and is located in the northwestern portion of the City. The District is bounded by the Roseville City Limits to the north, Woodcreek Oaks Boulevard to the west and generally bounded by Blue Oaks Boulevard to the south and Foothills Boulevard to the east.

The Bonds are limited obligations payable by special taxes (the “Special Tax”) levied on the properties in the District. The Bonds are not a debt of the City, the State of California, or any of its political subdivisions and neither the City, the State of California, nor any of its political subdivisions is liable. The Bonds do not constitute indebtedness within the meaning of any constitutional or statutory debt limit or restriction.

This Annual Continuing Disclosure Information Statement is being provided pursuant to a covenant made by the City for the benefit of the holders of the Bonds and includes the information specified in the Continuing Disclosure Agreement. For further information and a more complete description of the City, the District, and the Bonds, reference is made to the Official Statement.

The information set forth herein has been furnished by the City and by sources, which are believed to be accurate and reliable but is not guaranteed as to accuracy or completeness. Statements contained in this Annual Continuing Disclosure Information Statement which involve estimates, forecasts, or other matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. Further, the information and expressions of opinion contained herein are subject to change without notice and the delivery of this Annual Continuing Disclosure Information Statement will not, under any circumstances, create any implication that there has been no change in the affairs of the City, the Authority, the Districts or any other parties described herein.

## **II. BOND INFORMATION**

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### **A. PRINCIPAL OUTSTANDING**

<b>Bond Issue</b>	<b>Balance as of September 30, 2005</b>
Woodcreek East CFD 1, Special Tax Bonds Series 2000	\$5,060,000

No early redemption of bonds has occurred since the issuance of the Bonds.

### **B. FUND INFORMATION**

<b>Fund</b>	<b>Balance as of September 30, 2005</b>
Reserve Fund	\$440,190
Reserve Requirement	435,388
Improvement Fund	\$13,249

## **III. FINANCIAL INFORMATION**

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The audited financial statements for the City for the Fiscal Year Ended June 30, 2005 will be separately filed with the Nationally Recognized Municipal Securities Information Repositories and are hereby incorporated by reference into this Annual Continuing Disclosure Information Statement.

## **IV. OPERATING INFORMATION**

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### **A. AUTHORIZATION OF ADDITIONAL DEBT**

Since the date of issuance of the Bonds, the City has not authorized any additional debt payable or secured by the assessments or special taxes with respect to property within the District.

### **B. FINANCED FACILITIES**

The District improvements financed by the Bonds are essentially complete. Only minor items remain to be completed, which are the construction of the bike trail and pedestrian bridge. The park is complete but requires final acceptance by the City.

The Bonds were issued to finance certain roadway, sewer, water, drainage, electric, sound attenuation and park improvements, as well as other public facilities to serve the District.

**C. PRINCIPAL PROPERTY OWNERS**

No property owners in the District are subject to 20% or more of the Special Tax. The following table sets forth the Principal Property Owners in the District, as determined by those property owners responsible for 1% or more of the Special Tax Levy for fiscal year 2005/06. Ownership and assessed value information was compiled from the latest Secured Property Roll of the Placer County Assessor and does not reflect any subsequent development, changes of ownership, nor changes in assessed value due to changes of ownership. Therefore, the assessed value figures herein may not reflect recent development within the District, if any.

Property Owner	2005/2006 Assessed Values				2005/06 Maximum Tax	Bonded Debt (1)	Value to Bonded Debt	Percent of Bonded Debt	Land Use	Development Status
	Number of Parcels	Land	Structure	Total						
MERITAGE HOMES OF CALIFORNIA	16	\$1,994,900	\$130,500	\$2,125,400	\$26,712	\$231,314	9.19	4.57%	SF Residential	Under Construction
All Others	334	51,822,325	100,803,795	152,626,120	557,623	4,828,686	31.61	95.43%		
<b>Total</b>	<b>350</b>	<b>\$53,817,225</b>	<b>\$100,934,295</b>	<b>\$154,751,520</b>	<b>\$584,335</b>	<b>\$5,060,000</b>	<b>30.58</b>	<b>100.00%</b>		

(1) Bonded Debt is based on the proportionate share of the annual Special Tax times the Bonds outstanding

Source: Assessed Values – Placer County 2005/06 Secured Property Roll, as compiled by MuniFinancial. Land Use and Development Status - City of Roseville's 3rd Quarter 2005 Development Report dated November 2005.

**D. RESIDENTIAL DEVELOPMENT SUMMARY**

Parcels representing 337 residential units of the District’s planned 350 residential units have been developed according to the Placer County 2005/06 secured property roll.

**E. VALUE TO BONDED DEBT**

The following table sets forth a summary of the assessed value of the District’s Parcels on which Special Taxes were levied, as shown on the assessment roll of the Placer County Assessor and the estimated bonded debt for all of the Parcels.

<b>Value to Bonded Debt</b>	<b>Number of Parcels</b>	<b>Total 2005/06 Assessed Value</b>	<b>Bonded Debt <sup>(1)</sup></b>	<b>Percent of Bonded Debt</b>
Greater than 20:1	290	\$143,976,787	\$4,192,571	82.86%
10:1 to 19.99:1	40	8,157,133	578,286	11.43%
8:1 to 9.99:1	20	2,617,600	289,143	5.71%
<b>Total</b>	<b>350</b>	<b>\$154,751,520</b>	<b>\$5,060,000</b>	<b>100.00%</b>

(1) Bonded Debt is based on the proportionate share of the annual Special Tax times the Bonds outstanding.

Source: Assessed Values – Placer County 2005/06 Secured Property Roll, as compiled by MuniFinancial.

**F. DEBT SERVICE COVERAGE**

The following table shows the District’s debt service coverage for fiscal year 2005/06.

<b>Description</b>	<b>2005/06 Amount</b>	<b>2005/06 Debt Service (1)</b>	<b>2005/06 Debt Service Coverage</b>
Maximum Special Tax	\$584,335	\$434,535	134.5%
Special Tax Levy	\$584,332	\$434,535	134.52%

(1) This amount represents the calendar year 2006 debt service. In order to compensate for the six-month delay between the start of the District’s fiscal year and the receipt of the Special Tax collections from the County, the calendar year debt service is used to calculate the fiscal year levy.

## **G. DELINQUENCY SUMMARY**

The following table sets forth the Annual Special Tax and delinquencies of the District.

<b>Fiscal Year</b>	<b>Number of Parcels</b>	<b>Parcels Delinquent</b>	<b>Annual Special Tax</b>	<b>Amount Delinquent</b>	<b>Percent Delinquent</b>
2004/05	350	20	\$584,332	\$20,034	3.43%

Source: Placer County Tax Collector data as of April 21, 2005, compiled by MuniFinancial.

## **H. DELINQUENCIES BY PRINCIPAL PROPERTY OWNERS**

There are currently no Principal Property Owners responsible for 5% or more of the Special Tax that are delinquent in the payment of Special Taxes.

## **I. FORECLOSURE PROCEEDINGS**

None have been required.

## ***V. DEBT SERVICE SCHEDULE***

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The Debt Service Schedule of the Bonds is shown on the following page.

**City of Roseville**  
**Woodcreek East Community Facilities District No. 1**  
**ORIGINAL DEBT SERVICE SCHEDULE**

Payment Due	Interest Rate	Bond Call	Called Amount	Principal Due	Interest Due	Semi-Annual Payment	Total Annual
3/1/2001					\$106,088.89	\$106,088.89	
9/1/2001	5.30000%			0.00	170,500.00	170,500.00	276,588.89
3/1/2002					170,500.00	170,500.00	
9/1/2002	5.30000%			95,000.00	170,500.00	265,500.00	436,000.00
3/1/2003					167,982.50	167,982.50	
9/1/2003	5.30000%			95,000.00	167,982.50	262,982.50	430,965.00
3/1/2004					165,465.00	165,465.00	
9/1/2004	5.30000%			105,000.00	165,465.00	270,465.00	435,930.00
3/1/2005					162,682.50	162,682.50	
9/1/2005	5.30000%			110,000.00	162,682.50	272,682.50	435,365.00
3/1/2006					159,767.50	159,767.50	
9/1/2006	5.90000%			115,000.00	159,767.50	274,767.50	434,535.00
3/1/2007					156,375.00	156,375.00	
9/1/2007	5.90000%			120,000.00	156,375.00	276,375.00	432,750.00
3/1/2008					152,835.00	152,835.00	
9/1/2008	5.90000%			125,000.00	152,835.00	277,835.00	430,670.00
3/1/2009					149,147.50	149,147.50	
9/1/2009	5.90000%			135,000.00	149,147.50	284,147.50	433,295.00
3/1/2010					145,165.00	145,165.00	
9/1/2010	5.90000%			145,000.00	145,165.00	290,165.00	435,330.00
3/1/2011					140,887.50	140,887.50	
9/1/2011	6.37500%			150,000.00	140,887.50	290,887.50	431,775.00
3/1/2012					136,106.25	136,106.25	
9/1/2012	6.37500%			160,000.00	136,106.25	296,106.25	432,212.50
3/1/2013					131,006.25	131,006.25	
9/1/2013	6.37500%			170,000.00	131,006.25	301,006.25	432,012.50
3/1/2014					125,587.50	125,587.50	
9/1/2014	6.37500%			180,000.00	125,587.50	305,587.50	431,175.00
3/1/2015					119,850.00	119,850.00	
9/1/2015	6.37500%			195,000.00	119,850.00	314,850.00	434,700.00
3/1/2016					113,634.38	113,634.38	
9/1/2016	6.37500%			205,000.00	113,634.38	318,634.38	432,268.76
3/1/2017					107,100.00	107,100.00	
9/1/2017	6.37500%			220,000.00	107,100.00	327,100.00	434,200.00
3/1/2018					100,087.50	100,087.50	
9/1/2018	6.37500%			235,000.00	100,087.50	335,087.50	435,175.00
3/1/2019					92,596.88	92,596.88	
9/1/2019	6.37500%			250,000.00	92,596.88	342,596.88	435,193.76
3/1/2020					84,628.13	84,628.13	
9/1/2020	6.37500%			265,000.00	84,628.13	349,628.13	434,256.26
3/1/2021					76,181.25	76,181.25	
9/1/2021	6.37500%			280,000.00	76,181.25	356,181.25	432,362.50
3/1/2022					67,256.25	67,256.25	
9/1/2022	6.37500%			300,000.00	67,256.25	367,256.25	434,512.50
3/1/2023					57,693.75	57,693.75	
9/1/2023	6.37500%			320,000.00	57,693.75	377,693.75	435,387.50
3/1/2024					47,493.75	47,493.75	
9/1/2024	6.37500%			340,000.00	47,493.75	387,493.75	434,987.50
3/1/2025					36,656.25	36,656.25	
9/1/2025	6.37500%			360,000.00	36,656.25	396,656.25	433,312.50
3/1/2026					25,181.25	25,181.25	
9/1/2026	6.37500%			385,000.00	25,181.25	410,181.25	435,362.50
3/1/2027					12,909.38	12,909.38	
9/1/2027	6.37500%			405,000.00	12,909.38	417,909.38	430,818.76
<b>Totals:</b>		<b>\$0.00</b>	<b>\$0.00</b>	<b>\$5,465,000.00</b>	<b>\$6,086,141.43</b>	<b>\$11,551,141.43</b>	<b>\$11,551,141.43</b>

Outstanding Principal	\$5,060,000.00
Matured Principal	405,000.00
Called Principal	0.00
<b>Total Bond Issue</b>	<b>\$5,465,000.00</b>

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## APPENDIX D

### GENERAL INFORMATION ABOUT THE CITY OF ROSEVILLE AND PLACER COUNTY

*Financial and economic data for the City of Roseville are presented in this Appendix for information purposes only. The Bonds are not a debt or obligation of the City, but are a limited obligation secured solely by the funds held under the Indenture.*

The City of Roseville is located in Placer County, in California's Sacramento Valley near the foothills of the Sierra Nevada mountain range, about 16 miles northeast of Sacramento and 110 miles east of San Francisco. The City, with a population estimated to be approximately 102,191 at January 1, 2005, is the largest city in Placer County, as well as the residential and industrial center of the County.

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

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

#### **Municipal Government**

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

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

#### **Population**

The City's population has increased substantially over the past five years. The 2005 population estimate represents a 3.85% annual growth rate, just above Placer County's overall annual growth rate of 3.07%. The City's recent growth in population is shown below.

#### **City of Roseville Population 2001 through 2005**

<u>Year</u>	<u>City of Roseville</u>	<u>Placer County</u>	<u>State of California</u>
2001	82,200	255,100	34,367,000
2002	85,800	265,700	35,000,000
2003	93,300	283,500	35,612,000
2004	96,900	292,100	36,144,000
2005	102,191	305,675	36,810,358

*Source: California State Department of Finance.*

## Employment and Industry

The following table summarizes the civilian labor force, employment and unemployment, as well as employment by industry, in the Sacramento Metropolitan Statistical Area (which is comprised of Sacramento, Placer, El Dorado and Yolo Counties) for the years 2000 through 2004.

### Sacramento Metropolitan Statistical Area (Sacramento, Placer, El Dorado and Yolo Counties) Civilian Labor Force, Employment and Unemployment (Annual Averages)

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Civilian Labor Force <sup>(1)</sup>	906,100	932,300	964,400	990,500	1,000,800
Employment	867,200	890,700	911,500	934,400	950,600
Unemployment	38,900	41,600	52,900	56,100	50,200
Unemployment Rate	4.3%	4.5%	5.5%	5.7%	5.0%
<u>Wage and Salary Employment:</u> <sup>(2)</sup>					
Agriculture	4,000	4,000	3,400	7,500	7,400
Natural Resources and Mining	900	900	800	700	700
Construction	52,900	59,500	61,300	66,500	70,400
Manufacturing	51,600	49,800	47,000	46,300	47,100
Wholesale Trade	25,000	25,800	25,600	26,300	26,400
Retail Trade	89,600	91,600	92,700	94,900	96,900
Transportation, Warehousing and Utilities	23,500	23,300	22,400	21,900	23,000
Information	18,500	22,300	23,100	21,900	20,900
Finance and Insurance	38,400	38,700	41,300	44,800	45,200
Real Estate and Rental and Leasing	13,600	13,700	13,900	14,600	14,900
Professional and Business Services	105,400	99,300	96,100	95,800	97,500
Educational and Health Services	70,300	75,900	78,000	81,000	84,500
Leisure and Hospitality	70,100	72,200	75,200	77,300	79,400
Other Services	26,700	27,700	28,200	28,000	28,400
Federal Government	15,500	12,800	12,700	12,900	12,400
State Government	101,200	106,200	108,200	106,700	102,300
Local Government	94,000	99,100	105,900	106,600	106,400
Total, All Industries	801,100	822,900	835,600	853,500	863,600

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

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

Source: State of California Employment Development Department.

## Major Employers

The following table sets forth the largest employers in the City.

### CITY OF ROSEVILLE Major Employers June 30, 2004

<u>Employer Name</u>	<u>No. of Employees</u>
Hewlett-Packard	3,803
Kaiser Permanente	3,000
Sutter Roseville Medical Center	1,800
Union Pacific Railroad	1,294
City of Roseville	1,046
Roseville Joint Union High School District	982
Pride Industries	800
NEC Electronics	725
SureWest Communications	683
State Farm Insurance	560

*Source: City of Roseville.*

The following table sets forth the largest employers in the County of Placer as of January 2005.

### COUNTY OF PLACER Major Employers January 2005

<u>Employer Name</u>	<u>Location</u>	<u>Industry</u>
Adventist Health	Roseville	Marketing Programs & Services
Alpine Meadows Ski Resort	Alpine Meadows	Skiing Centers & Resorts
Auburn Area Answering Svc	Auburn	Paging & Answering Service
Club Cruise	Auburn	Travel Agencies & Bureaus
Coherent Inc	Auburn	Lasers-Medical-Manufacturers
Coherent Inc	Auburn	Lasers-Medical-Manufacturers
Ctech Systems	Roseville	Computers-Service & Repair
Formica Corp	Rocklin	Plastics-High Pressure Laminates (Mfrs)
Future Ford	Roseville	Automobile Dealers-New Cars
Hewlett-Packard Co	Roseville	Computer & Equipment Dealers
Home Depot	Roseville	Home Centers
Mountain Peoples Warehouse Inc	Auburn	Health Food Products-Wholesale
Mwb Building Contractors	Rocklin	Building Contractors
Nec Electronics Usa Inc	Roseville	Semiconductors & Related Devices (Mfrs)
Olympic Ice Pavillion High Cmp	Olympic Valley	Skating Rinks
Oracle Corp	Rocklin	Computer Software
Placer County Sheriff	Auburn	Sheriff
Q & D Construction Inc	Loomis	Construction Consultants
Resort At Squaw Creek	Olympic Valley	Resorts
Roseville Golfand-Sun Splash	Roseville	Amusement Places
Sierra Community College Dist	Rocklin	Schools-Universities & Colleges Academic

*Source: State of California Employment Development Department*

## Construction

The following table shows residential and non-residential building permits issued, for calendar years 2000 through 2004.

**City of Roseville  
Building Permit Valuation  
(Valuation in Thousands of Dollars)**

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
<u>Permit Valuation</u>					
New Single-family	\$ 943,358.1	\$356,214.1	\$526,365.7	\$384,045.3	\$251,956.9
New Multi-family	119,207.0	61,930.6	78,999.5	42,747.2	7,863.7
Res. Alterations/Additions	<u>32,390.0</u>	<u>2,455.9</u>	<u>2,649.5</u>	<u>2,374.4</u>	<u>3,781.0</u>
Total Residential	\$1,094,955.0	\$420,600.6	\$608,014.8	\$429,166.9	\$263,601.6
New Commercial	\$ 43,818.8	\$ 50,213.0	\$105,953.3	\$ 91,323.3	\$ 88,982.1
New Industrial	15,237.0	6,214.0	2,922.5	3,883.9	13,600.2
New Other	17,908.4	11,554.4	22,969.7	23,697.7	25,404.3
Com. Alterations/Additions	<u>65,857.6</u>	<u>40,608.4</u>	<u>34,272.8</u>	<u>37,062.9</u>	<u>43,987.8</u>
Total Nonresidential	\$ 142,821.7	\$108,589.8	\$166,118.3	\$155,967.7	\$171,974.3
<u>New Dwelling Units</u>					
Single Family	4,745	1,456	2,300	1,467	1,105
Multiple Family	<u>1,634</u>	<u>762</u>	<u>914</u>	<u>474</u>	<u>93</u>
TOTAL	6,379	2,218	3,214	1,941	1,108

Source: Construction Industry Research Board, Building Permit Summary.

*Residential Development.* As of July 1, 2003, the City had 31,708 housing units; approximately 75% are single family detached, 20% are apartments and 5% are duplexes and mobile homes. A total of 2,564 building permits, including building permits for 820 apartment units, were issued by the City's Building Division in Fiscal Year 2002-03. The highest monthly total was in April 2003 with 283 single family permits issued. All 820 apartment permits were issued in October 2002. The North Roseville Specific Plan Area is now the most active location for homebuilders in the City with well over 1,000 permits issued. The Stoneridge Specific Plan is seeing steady growth as well.

*Commercial Development.* The City's has over 9.8 million square feet of developed commercial space on 1,147 acres as of June 30, 2003. Developers built 895,869 square feet of commercial space in 2002-03. New development activity includes national retailers and grocers. Target opened its second store in Roseville and EXPO Design Center's opening was the third store in Roseville opened by the Home Depot chain. Safeway and Ralph's opened additional stores as well.

The City also has over 5.2 million square feet of developed office space as of June 30, 2003. Included is the Sutter Roseville Medical Center, Secret Ravine Medical/Dental Center and Sutter Roseville Medical Center Ambulatory.

## Taxable Sales

During the first quarter of calendar year 2004, reported total taxable sales in the City were reported to be \$836,986,000, a 15.8% increase over total taxable transactions of \$722,783,000 that were reported during the first quarter of calendar year 2003. Taxable transactions in the City now exceed \$2 billion annually. A summary of taxable transactions in the City is shown below. Annual figures for 2004 are not yet available.

**City of Roseville  
Taxable Transactions  
Calendar Years 1999 through 2003  
(Dollars in thousands)**

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Apparel stores	\$ 32,672	\$ 67,603	\$ 110,463	\$ 118,936	\$ 128,694
General merchandise stores	216,270	306,446	370,924	418,267	467,494
Food stores	56,650	64,750	66,469	75,978	93,286
Eating and drinking places	114,344	140,862	177,347	195,011	214,558
Home furnishing and appliances.	46,138	59,436	82,000	96,700	108,737
Building material and farm implements	127,130	146,088	174,920	217,298	251,148
Auto dealers and auto supplies	767,375	879,626	938,034	1,026,213	1,125,482
Service stations	60,337	84,345	90,944	89,200	114,336
Other retail stores	<u>187,597</u>	<u>273,708</u>	<u>341,119</u>	<u>376,465</u>	<u>412,610</u>
Retail Stores Totals	1,608,513	2,022,864	2,352,220	2,614,068	2,916,345
All Other Outlets	<u>404,427</u>	<u>372,430</u>	<u>404,367</u>	<u>374,189</u>	<u>372,114</u>
TOTAL ALL OUTLETS	<u>\$2,012,940</u>	<u>\$2,395,294</u>	<u>\$2,756,587</u>	<u>\$2,988,257</u>	<u>\$3,288,459</u>
 TOTAL NUMBER OF PERMITS	 2,482	 2,637	 2,967	 3,348	 3,909

*Source: California State Board of Equalization.*

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## APPENDIX E

### FORM OF BOND COUNSEL OPINION

\_\_\_\_\_, 2006

Roseville Financing Authority  
311 Vernon Street  
Roseville, California 95678

**OPINION:** \$\_\_\_\_\_ Roseville Financing Authority  
Revenue Bonds, 2006 Series A (Senior Lien Bonds)

\$\_\_\_\_\_ Roseville Financing Authority  
Revenue Bonds, 2006 Series B (Junior Lien Bonds)

Members of the Authority:

We have acted as bond counsel to the Roseville Financing Authority (the "Authority") in connection with the delivery by the Authority of the above-referenced bonds (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 April 1, 2006 (the "Indenture"), by and between the Authority and The Bank of New York Trust Company, N.A., 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 and the Subordinated Revenues (as such terms are 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 and the City of Roseville 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 and the City have 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,

*Jones Hall,*  
A Professional Law Corporation

## APPENDIX F

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

#### ROSEVILLE FINANCING AUTHORITY

**\$35,870,000**  
**REVENUE BONDS**  
**2006 SERIES A**  
**(SENIOR LIEN BONDS)**  
**(Insured)**

**\$4,645,000**  
**REVENUE BONDS**  
**2006 SERIES B**  
**(JUNIOR LIEN BONDS)**  
**(Uninsured)**

### CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Roseville, for and on behalf of itself and the Roseville Financing Authority (the "**Authority**"), in connection with the issuance by the Authority of its \$35,870,000 Revenue Bonds, Series 2006 (Senior Lien Bonds) (the "**Series A Bonds**") and its \$4,645,000 Revenue Bonds, 2006 Series B (Junior Lien Bonds) (the "**Series B Bonds**," and together with the Series A Bonds, the "**Bonds**"). The Bonds are generally secured by revenues derived from debt service payments made on the City's \$33,120,000 City of Roseville Highland Reserve North Community Facilities District Special Tax Bonds, Series 2006 (the "**Highland Reserve North CFD Bonds**") and its \$6,245,000 City of Roseville Woodcreek East Community Facilities District No. 1 Special Tax Bonds, Series 2006 (the "**Woodcreek East CFD Bonds**", and together with the Highland Reserve North CFD Bonds, the "**CFD Bonds**"). The Bonds are being issued pursuant to an Indenture of Trust, dated as of April 1, 2006 (the "**Indenture**"), by and between the Authority and The Bank of New York Trust Company, N.A., as trustee (the "**Trustee**") The CFD Bonds are being issued pursuant to two separate Bond Indentures, both dated as of April 1, 2006, by and between the City and the Trustee (the "**CFD Indentures**"). The City, on behalf of itself and the Authority, hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the holders 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).

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

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

"*CPO*" means the Internet-based filing system currently located at [www.DisclosureUSA.org](http://www.DisclosureUSA.org), or such other similar filing system approved by the Securities and Exchange Commission.

"*Dissemination Agent*" shall mean MuniFinancial, Inc. or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

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

"*National Repository*" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. Information on the National Repositories as of a particular date is available on the Internet at [www.sec.gov/consumer/nrmsir.htm](http://www.sec.gov/consumer/nrmsir.htm).

"*Official Statement*" shall mean the Official Statement relating to the Bonds.

"*Participating Underwriter*" shall mean Piper Jaffray & Co.

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

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

"*State Repository*" shall mean 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 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the City's fiscal year (i.e., March 31), commencing March 31, 2007 with the report for the 2005-06 Fiscal Year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than fifteen (15) Business Days prior to said date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). 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 4 of this Disclosure Certificate; provided 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 5(c).

(b) If the City is unable to provide to the Repositories an Annual Report by the date required in subsection (a), the City 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. In lieu of filing the notice with each Repository, the Authority or the Dissemination Agent may file such notice with the CPO.

(c) 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; and

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

(d) In lieu of filing the Annual Report with each Repository in accordance with the preceding paragraph (c), the City or the Dissemination Agent may file such Annual Report solely with the CPO.

Section 4. Content of Annual Reports. The City's Annual Report shall contain or incorporate by reference the following:

(a) The audited financial statements of the City and the Authority, together with the following statement:

THE CITY'S AND THE AUTHORITY'S ANNUAL FINANCIAL STATEMENTS ARE PROVIDED SOLELY TO COMPLY WITH THE SECURITIES EXCHANGE COMMISSION STAFF'S INTERPRETATION OF RULE 15C2-12. NO FUNDS OR ASSETS OF THE CITY OR THE AUTHORITY OTHER THAN THOSE PLEDGED UNDER THE INDENTURE ARE REQUIRED TO BE USED TO PAY DEBT SERVICE ON THE BONDS, AND NEITHER THE CITY NOR THE AUTHORITY ARE OBLIGATED TO ADVANCE AVAILABLE FUNDS FROM ANY SOURCE TO COVER ANY DELINQUENCIES. INVESTORS SHOULD NOT RELY ON THE FINANCIAL CONDITION OF THE CITY OR THE AUTHORITY IN EVALUATING WHETHER TO BUY, HOLD OR SELL THE BONDS.

The audited financial statements shall be 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 such audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Additional Items relating to the Authority and the CFDs on a combined basis.

(i) Outstanding principal amount of the Bonds as of the end of the most recent fiscal year; and

(ii) Balance of each of the Reserve Funds (or amounts credited due to the deposit of a reserve fund surety bond) and the accounts therein (and a statement of the applicable Reserve Requirements for each such Fund and account) as of August 1 of the current fiscal year.

(iii) Aggregate assessed value (as shown on the Placer County Assessor's equalized tax roll for the current fiscal year) of all parcels currently subject to the Special Taxes in the CFDs, showing the total assessed valuation for all land and the total assessed valuation for all improvements.

(iv) An aggregate land ownership summary listing property owners responsible for more than five percent (5%) of the annual combined Special Taxes as shown on the Placer County Assessor's equalized tax roll as of June 30 of the preceding fiscal year, and an indication of whether the land is developed (i.e., having an assessed value for improvements in the Assessor's records) or undeveloped (i.e., having no assessed value for improvements in the Assessor's records).

(v) An updated aggregate value-to-burden calculation as of August 1 of the current fiscal year for the parcels in the CFDs subject to Special Taxes in the form set forth in the Official Statement, based upon (A) the assessed value described in the preceding clause (iii) and (B) the burden of that property's share of the CFD Bonds.

(vi) A description of the issuance of any Additional Series A Bonds or Additional Series Bonds (as defined in the Indenture), if any.

(c) Additional Items relating to the CFDs. Unless otherwise provided in the audited financial statements filed on or prior to the annual filing deadline for the Annual Reports provided for in Section 3 above, financial information and operating data with respect to each CFD for the preceding fiscal year, substantially similar to that provided in the corresponding tables and charts in the Official Statement for the Bonds, as follows:

(i) Total assessed value (per the Placer County Assessor's records) for the current fiscal year of all parcels currently subject to the Special Tax within each CFD, showing the total assessed valuation for all land and the total assessed valuation for all improvements within the CFD and distinguishing between the assessed value of improved (i.e., having an assessed value for improvements in the Assessor's records) and unimproved (i.e., having no assessed value for improvements in the Assessor's records) parcels.

(ii) With respect to delinquent Special Taxes in each CFD as of June 30 of the preceding fiscal year, (i) a statement of whether or not the CFD continues to participate in the Alternative Method of Distribution of Tax Levies and Collections described in Revenue and Taxation Code Section 4701 et seq., or an equivalent procedure, (ii) a list of all parcels delinquent in the payment of Special Taxes in the aggregate of \$3,000 or more (and information relating to the length of delinquency and status of any foreclosure, including results of foreclosure sales), (iii) the total dollar amount of delinquencies and (iv) in the event that the total delinquencies within a CFD as of June 30 of the preceding fiscal year exceed 5% of the Special Tax for the preceding fiscal year, delinquency information for each parcel delinquent in the payment of Special Tax, amounts of delinquencies, length of delinquency and status of any foreclosure of each such parcel (including results of foreclosure sale).

(iii) The amount of prepayments of the Special Tax with respect to the CFD for the most recently completed Fiscal Year.

(iv) The principal amount of the CFD Bonds outstanding as of August 1 of the current fiscal year.

(v) An updated calculation as of June 30 of the preceding fiscal year of each CFD's value-to-burden ratio on a CFD-wide basis, based upon (A) the Taxable Property's assessed value as shown on the Placer County Assessor's equalized tax roll and (B) the burden of that property's share of the CFD Bonds.

(vi) Any changes to the Rate and Method of Apportionment of Special Tax for a CFD as of June 30 of the preceding fiscal year.

(vii) Annual information required to be filed by the City with the California Debt and Investment Advisory Commission pursuant to the CFD Act and relating generally to outstanding CFD bond amounts, fund balances, assessed values, special tax delinquencies and foreclosure information.

(d) In addition to any of the information expressly required to be provided under paragraphs (a) through (c) 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 Authority 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 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds and the CFD Bonds, if material:

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

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

(c) 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 file a notice of such occurrence with the Municipal Securities Rulemaking Board and each State Repository with a copy to the Trustee. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds pursuant to the Fiscal Agent Agreement.

In lieu of filing the notice of Listed Event with each Repository in accordance with the preceding paragraph, the Authority or the Dissemination Agent may file such notice of a Listed Event with the CPO.

Section 6. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate 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 5(c).

Section 7. 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 Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent will be MuniFinancial.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, 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 either (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 Fiscal Agent or nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

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 filed pursuant hereto 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 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 5(c).

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate 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 Certificate. 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 Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate the Trustee may (and, at the request of any Participating Underwriter or the holders of at least 25% aggregate principal amount of Outstanding Bonds, shall), or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture or the CFD Indentures, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City, on behalf of itself and the Authority, agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Authority, the City, the Trustee, the Dissemination Agent, the Participating Underwriters and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: \_\_\_\_\_, 2006

CITY OF ROSEVILLE, for and on behalf of  
itself and the ROSEVILLE FINANCING  
AUTHORITY

By: \_\_\_\_\_

AGREED AND ACCEPTED:

MUNIFINANCIAL, INC.,  
*as Dissemination Agent*

By: \_\_\_\_\_

Title: \_\_\_\_\_

**EXHIBIT A**

**NOTICE OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: ROSEVILLE FINANCING AUTHORITY

Name of Bond Issues:

\$35,870,000  
REVENUE BONDS  
2006 SERIES A (SENIOR LIEN BONDS)  
(Insured)

\$4,645,000  
REVENUE BONDS  
2006 SERIES B (JUNIOR LIEN BONDS)  
(Uninsured)

Date of Issuance: \_\_\_\_\_, 2006

NOTICE IS HEREBY GIVEN that the City, on behalf of itself and the Roseville Financing Authority, has not provided an Annual Report with respect to the above-named Bonds as required by the Indentures of Trust dated as of April 1, 2006 between the City and The Bank of New York Trust Company, N.A. The City anticipates that the Annual Report will be filed by \_\_\_\_\_.

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

CITY OF ROSEVILLE, for and on behalf of  
itself and the ROSEVILLE FINANCING  
AUTHORITY

By \_\_\_\_\_

cc: Dissemination Agent

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## APPENDIX G

### DTC AND THE BOOK-ENTRY-ONLY SYSTEM

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

*Neither the issuer of the Bonds (the “Issuer”) nor the trustee, fiscal agent or paying agent appointed with respect to the Bonds (the “Agent”) take any responsibility for the information contained in this Appendix.*

*No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.*

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Bonds”). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for the Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned

subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

3. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

4. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC’s Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to 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).

8. Redemption proceeds, distributions, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from Issuer or Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

10. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

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**APPENDIX H**  
**SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY**

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**Financial Guaranty Insurance Policy**

Obligor:

Policy Number:

Obligations:

Premium:

**Ambac Assurance Corporation (Ambac)**, a Wisconsin stock insurance corporation, in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to The Bank of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of the Holders, that portion of the principal of and interest on the above-described obligations (the "Obligations") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor.

Ambac will make such payments to the Insurance Trustee within one (1) business day following written notification to Ambac of Nonpayment. Upon a Holder's presentation and surrender to the Insurance Trustee of such unpaid Obligations or related coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Holder the amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Obligations and/or coupons and shall be fully subrogated to all of the Holder's rights to payment thereon.

In cases where the Obligations are issued in registered form, the Insurance Trustee shall disburse principal to a Holder only upon presentation and surrender to the Insurance Trustee of the unpaid Obligation, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee duly executed by the Holder or such Holder's duly authorized representative, so as to permit ownership of such Obligation to be registered in the name of Ambac or its nominee. The Insurance Trustee shall disburse interest to a Holder of a registered Obligation only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Obligation and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, transferring to Ambac all rights under such Obligation to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all of the Holders' rights to payment on registered Obligations to the extent of any insurance disbursements so made.

In the event that a trustee or paying agent for the Obligations has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from the Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Holder will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Holder" means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment for the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used herein, "Due for Payment", when referring to the principal of Obligations, is when the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Obligations, is when the scheduled date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Obligor to have provided sufficient funds to the trustee or paying agent for payment in full of all principal of and interest on the Obligations which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Obligations prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.



President



Secretary

Effective Date:

Authorized Representative

THE BANK OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.



Authorized Officer of Insurance Trustee

## Endorsement

Policy for:

Attached to and forming part of Policy No.:

Effective Date of Endorsement:

In the event that Ambac Assurance Corporation were to become insolvent, any claims arising under the Policy would be excluded from coverage by the California Insurance Guaranty Association, established pursuant to the laws of the State of California.

Nothing herein contained shall be held to vary, alter, waive or extend any of the terms, conditions, provisions, agreements or limitations of the above mentioned Policy other than as above stated.

**In Witness Whereof,** Ambac has caused this Endorsement to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

### Ambac Assurance Corporation



President



Secretary

Authorized Representative