

NEW ISSUE - BOOK-ENTRY ONLY

RATINGS:
2003A Certificates and 2003B Certificates
Standard & Poor's: "AAA"
Moody's: "Aaa"
(Ambac Insured)
Underlying Rating: S&P: Series A: "A+"; Series B: "A+"
Underlying Rating: Moody's: Series A "A2"; Series B "A3"
See "RATINGS" herein

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel, subject, however to certain qualifications described herein, under existing law, the portion of lease payments designated as and comprising interest and received by the owners of the Certificates 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, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. In the further opinion of Special Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS."

\$18,275,000
CERTIFICATES OF
PARTICIPATION, SERIES 2003A
(1993 Public Facilities Refunding)

\$8,240,000
CERTIFICATES OF
PARTICIPATION, SERIES 2003B
(1993 Golf Course Refunding)

**Evidencing the Direct, Undivided Fractional Interests of the Owners Thereof
In Lease Payments to be Made by the**

CITY OF ROSEVILLE

**As Rental for Certain Property
Under Separate Lease Agreements with the
Roseville Finance Authority**

Dated: Date of Delivery

Due: August 1, as shown below

Each series of the respective captioned 2003A Certificates and 2003B Certificates (collectively the "Certificates") is being executed and delivered to (i) provide funds to refund certain outstanding certificates of participation of the City of Roseville (the "City") and the Roseville Finance Authority (the "Authority") originally delivered in 1993, (ii) fund a reserve fund for the respective series of Certificates, and (iii) pay costs of issuing the respective series of Certificates, as further described in this Official Statement. See "ESTIMATED SOURCES AND USES OF FUNDS."

Each series of the Certificates evidence direct, undivided fractional interests of the owners thereof in certain respective Lease Payments to be made by the City for the use and occupancy of certain real property and improvements, consisting generally, as to the 2003A Certificates, of the Corporation Yard of the City and, as to the 2003B Certificates, of the City's Woodcreek Oaks Golf Course (together, the "Leased Premises"), under a separate respective Lease Agreement each dated as of July 1, 2003 (each, a "Lease Agreement") between the City and the Authority. Interest represented by the Certificates will be payable on February 1 and August 1 of each year commencing February 1, 2004. See "THE CERTIFICATES."

When executed and delivered, the Certificates will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Certificates. Ownership interests in the Certificates may be purchased in book-entry form only. Ownership interests in the Certificates will be in denominations of \$5,000 and integral multiples thereof. Beneficial owners of Certificates will not receive physical certificates representing the Certificates purchased, but will receive a credit balance on the books of the nominees of such purchasers who are participants of DTC. The Certificates will not be transferable or exchangeable, except for transfer to another nominee of DTC as described in this Official Statement. Principal, premium, if any, and interest due with respect to the Certificates will be paid by BNY Western Trust Company, as Trustee, to DTC, which will in turn remit such principal, premium, if any, and interest to its participants for subsequent disbursement to the beneficial owners of the Certificates as described in this Official Statement. See "THE CERTIFICATES - Book-Entry Only System" and "APPENDIX G - Book-Entry Only System."

The Certificates are subject to optional and mandatory prepayment prior to their maturity, as described in this Official Statement. See "THE CERTIFICATES - Prepayments."

The payment of principal of and interest represented by each series of the Certificates when due will be insured by a Financial Guaranty Insurance Policy to be issued by Ambac Assurance Corporation simultaneously with the delivery of the Certificates. See "FINANCIAL GUARANTY INSURANCE POLICY."

[AMBAC Logo]

The City is required under each Lease Agreement to make semiannual Lease Payments with respect to each series of Certificates, which comprise the interest and principal represented by the related series of Certificates. The City has agreed in each Lease Agreement to include the respective Lease Payments due in each fiscal year in its budget for that fiscal year and to make the necessary appropriations for such Lease Payments. Neither the Certificates nor the obligation of the City to make Lease Payments constitute an indebtedness of the City, the Authority, the State of California or any political subdivision thereof, within the meaning of the Constitution of the State of California or otherwise, or an obligation for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES." See "RISK FACTORS" for a discussion of factors that should be considered, in addition to the other matters set forth in this Official Statement, in evaluating the investment quality of the Certificates. ***Lease Payments related to each series of Certificates are not a source of payment for the other series of Certificates.***

MATURITY SCHEDULES – See Inside Cover

The Certificates are offered when, as and if issued, subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel. Jones Hall is also serving as Disclosure Counsel to the City. Certain legal matters will be passed upon for the Authority and the City by the City Attorney and by the Underwriter by Sidley Austin Brown & Wood LLP, Los Angeles, California. It is anticipated that the Certificates in book-entry form will be available for delivery to Cede & Co., as nominee of The Depository Trust Company, on or about July 17, 2003, in New York, New York.

Stone & Youngberg LLC

Dated: June 26, 2003

MATURITY SCHEDULES

\$18,275,000 CERTIFICATES OF PARTICPATION, SERIES 2003A (1993 Public Facilities Refunding)

<u>Maturity (August 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP ⁽¹⁾ (777790)</u>	<u>Maturity (August 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP ⁽¹⁾ (777790)</u>
2004	\$565,000	2.000%	1.050%	CV6	2011	\$695,000	3.200%	3.250%	DC7
2005	605,000	2.000	1.450	CW4	2012	720,000	3.300	3.400	DD5
2006	615,000	2.000	1.650	CX2	2013	740,000	3.400	3.500	DE3
2007	630,000	2.000	2.000	CY0	2014	765,000	3.500	3.600	DF0
2008	640,000	2.500	2.350	CZ7	2015	795,000	3.700	3.800	DG8
2009	660,000	2.750	2.700	DA1	2016	825,000	3.900	4.000	DH6
2010	675,000	3.000	3.050	DB9	2017	855,000	4.050	4.150	DJ2

\$8,490,000 5.00% Term Certificates due August 1, 2025; Yield: 4.450%; CUSIP 777790DK9

\$8,240,000 CERTIFICATES OF PARTICPATION, SERIES 2003B (1993 Golf Course Refunding)

<u>Maturity (August 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP ⁽¹⁾ (777790)</u>	<u>Maturity (August 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP ⁽¹⁾ (777790)</u>
2004	\$295,000	2.000%	1.100%	DL7	2011	\$360,000	3.250	3.300%	DT0
2005	315,000	2.000	1.500	DM5	2012	375,000	3.400	3.450	DU7
2006	320,000	2.000	1.700	DN3	2013	385,000	3.500	3.550	DV5
2007	325,000	2.000	2.050	DP8	2014	400,000	3.600	3.700	DW3
2008	335,000	2.500	2.400	DQ6	2015	415,000	3.800	3.900	DX1
2009	340,000	2.750	2.750	DR4	2016	430,000	4.000	4.050	DY9
2010	350,000	3.000	3.100	DS2	2017	445,000	4.100	4.200	DZ6

\$3,150,000 5.00% Term Certificates due August 1, 2023; Yield: 4.420%; CUSIP 777790EA0

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CITY OF ROSEVILLE

CITY COUNCIL

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

CITY STAFF

W. Craig Robinson, *City Manager*
Russell Cochran Branson, *Finance Director*
Mark Doane, Esq., *City Attorney*
Carolyn Parkinson, *City Clerk*

SPECIAL COUNSEL and DISCLOSURE COUNSEL
Jones Hall, A Professional Law Corporation
San Francisco, California

TRUSTEE
BNY Western Trust Company
San Francisco, California

VERIFICATION AGENT
The Arbitrage Group
Tuscaloosa, Alabama

FINANCIAL ADVISOR
Public Financial Management, Inc.
San Francisco, California

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of this Official Statement. This Official Statement is submitted in connection with the sale of the Certificates referred to in this Official Statement 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 Certificates. 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. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations with respect to the Certificates 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.

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 Certificates will, under any circumstances, create any implication that there has been no change in the affairs of the City or any other parties described in this Official Statement, or in the condition of the security for the Certificates since the date of this Official Statement.

Involvement of Underwriter. The Underwriter has submitted the following statement for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as a 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.

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 information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or any other entity described or referenced herein since the date hereof. All summaries of the documents referred to in this Official Statement are made subject to the provisions of such documents, respectively, and do not purport to be complete statements of any or all of such provisions. All references to and summaries of the Lease Agreement 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.

Certificates are Exempt from Securities Laws Registration. The execution and delivery of the Certificates 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 CITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

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OFFICIAL STATEMENT

\$18,275,000
CERTIFICATES OF
PARTICIPATION,
SERIES 2003A
(1993 Public Facilities Refunding)

\$8,240,000
CERTIFICATES OF
PARTICIPATION,
SERIES 2003B
(1993 Golf Course Refunding)

Evidencing the Direct, Undivided Fractional Interests of the Owners Thereof
In Lease Payments to be Made by the

CITY OF ROSEVILLE

As Rental for Certain Property
Under Separate Lease Agreements with the
Roseville Finance Authority

This Official Statement (which includes the cover page and Appendices hereto) (the "Official Statement"), provides certain information concerning the sale and delivery of the certificates of participation captioned above (the respective "2003A Certificates", "2003B Certificates", and collectively, the "Certificates").

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Definitions of certain terms used herein and not defined herein have the meaning set forth in the Trust Agreement or the Lease Agreement. See "APPENDIX D – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

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 attached appendices, and the documents summarized or described in this Official Statement. A full review should be made of the entire Official Statement. The offering of the Certificates to potential investors is made only by means of the entire Official Statement.

Certificate Terms. The Certificates are being executed and delivered in denominations of \$5,000 or any integral multiple thereof, under a separate respective Trust Agreement dated as of July 1, 2003 as to each series (each, a "Trust Agreement"), among the City of Roseville (the "City"), the Roseville Finance Authority (the "Authority") and BNY Western Trust Company, as trustee (the "Trustee"). Interest will accrue on the principal component of each Certificate at the applicable interest rate (as set forth on the cover hereof) from the date of original delivery of the Certificates until its date of maturity or prior prepayment, with interest payable on each

February 1 and August 1, commencing February 1, 2004. The Certificates are subject to prepayment as described in this Official Statement. See "THE CERTIFICATES."

Use of Proceeds. The net proceeds of the sale of the 2003A Certificates will be used to refund the City's lease payment obligations relating to the \$23,970,000 original principal amount of Certificates of Participation (1993 Public Facilities Project), currently outstanding in the aggregate principal amount of \$18,755,000 and the net proceeds of the sale of the 2003B Certificates will be used to refund the City's lease payment obligations relating to the \$9,325,000 original principal amount of Certificates of Participation (1993 Golf Course Project), currently outstanding in the aggregate principal amount of \$8,185,000 (collectively the "1993 Certificates"). Proceeds of each series of the Certificates will also be used to fund a separate reserve fund for each respective series of the Certificates, and to pay costs of issuance of the respective series of Certificates. See "THE FINANCING PLAN" and "ESTIMATED SOURCES AND USES OF FUNDS."

Security and Sources of Payment. The Certificates evidence and represent the direct, undivided fractional interests of the registered owners (the "Owners") thereof in respective Lease Payments (as defined in this Official Statement) to be made by the City for the right to the use of certain property under a separate Lease Agreement as to each series of Certificates, each dated as of July 1, 2003 (each, a "Lease Agreement") between the Authority as sublessor and the City as sublessee. The real property leased under the 2003A Certificates Lease Agreement is the City's municipal Corporation Yard and the real property leased under the 2003B Certificates Lease Agreement is the City's Woodcreek Oaks Golf Course (each, the respective "Leased Premises"), as more fully described in each Lease Agreement and this Official Statement. Each Leased Premises is owned by the City, and will be leased by the City to the Authority under a respective Site Lease dated as of July 1, 2003 (the "Site Lease"), and will be leased by the Authority back to the City under the respective Lease Agreement. *Lease Payments are available only for payments under the Lease Agreement to which they relate.* See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES."

The Trustee and the Authority will enter into a separate Assignment Agreement, dated as of July 1, 2003 (the "Assignment Agreement") as to each series of Certificates, under which the Authority will assign to the Trustee for the benefit of the Certificate Owners substantially all of the Authority's right, title and interest in and to each Lease Agreement, including its right to receive the Lease Payments due under the Lease Agreement, provided that the Authority will retain the rights to indemnification and to payment or reimbursement of its reasonable costs and expenses under the Lease Agreement.

THE OBLIGATION OF THE CITY TO PAY THE LEASE PAYMENTS DOES NOT CONSTITUTE A DEBT OF THE CITY OR THE STATE OF CALIFORNIA (THE "STATE") OR OF ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMIT OR RESTRICTION, AND DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE CITY OR THE STATE IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY OR THE STATE HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

Lease Payments. The City covenants under each Lease Agreement to take such actions as may be necessary to include all Lease Payments due under such Lease Agreement in its annual budgets and to make the necessary annual appropriations therefor, subject to abatement as described in this Official Statement. The Lease Payments are payable independently as to each Lease Agreement from any source of legally available funds of the City, which includes the General Fund. The Certificates are not secured by a pledge of or lien any funds or properties of the City. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES - Covenant to Appropriate Funds for Lease Payments" and "CITY FINANCES."

Abatement. The Lease Payments for each series of Certificates are subject to complete or partial abatement in the event and to the extent that there is substantial interference with the City's right to use and occupancy of the Leased Premises to which the Lease Payments relate, or any portion thereof. If the Lease Payments are abated under a Lease Agreement, and are not paid from alternative sources as described in this Official Statement, the Certificate Owners would receive less than the full amount of principal and interest represented by the respective series of Certificates. To the extent proceeds of rental interruption insurance are available or there are moneys in the respective Reserve Fund with respect to the Certificates (as described below), Lease Payments (or a portion thereof) for that series may be made during periods of abatement. *Each Reserve Fund is available only for the series of Certificates to which it relates.* See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES - Abatement" and "RISK FACTORS."

Financial Guaranty Insurance Policy. Concurrently with the issuance of the Certificates, Ambac Assurance Corporation ("Ambac Assurance" or the "Insurer") will issue a Financial Guaranty Insurance Policy for each series of the Certificates. See "FINANCIAL GUARANTY INSURANCE POLICY" and "APPENDIX E - Specimen Financial Guaranty Insurance Policy".

Summaries of Documents. The summaries or references to the Trust Agreements, the Lease Agreements, the Assignment Agreements and other documents, agreements and statutes referred to in this Official Statement, and the description of the Certificates included in this Official Statement, do not purport to be comprehensive or definitive, and such summaries, references and descriptions are qualified in their entireties by reference to each such document or statute. All statements herein with respect to certain rights and remedies are qualified by reference to laws and principles of equity relating to or affecting creditors' rights generally. The information and expressions of opinion herein speak only as of the date of this Official Statement and are subject to change without notice. Neither delivery of this Official Statement, any sale made hereunder, nor any future use of this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof.

THE FINANCING PLAN

Series 2003A Certificates. The 2003A Certificates are being executed and delivered for the purpose of refinancing the City's lease payment obligations relating to the \$18,755,000 outstanding principal amount of Certificates of Participation (1993 Public Facilities Project) (the "1993 Public Facilities Certificates"). The City will direct BNY Western Trust Company, in its capacity as trustee for the 1993 Public Facilities Certificates (the "1993 Trustee") to establish an Escrow Fund (the "1993 Public Facilities Escrow Fund") to be held by the 1993 Trustee in trust as an irrevocable escrow securing the payment of the 1993 Public Facilities Certificates and the City's obligations with respect thereto. All cash and securities in the Escrow Fund will be irrevocably pledged as a special fund for the payment of the principal and interest represented by the 1993 Public Facilities Certificates in accordance with the documents under which the 1993 Public Facilities Certificates were issued. Amounts in the 1993 Public Facilities Escrow Fund will be sufficient to pay and prepay all of the outstanding 1993 Public Facilities Certificates on August 1, 2003, and the Authority and the City have irrevocably elected to call all of the outstanding 1993 Public Facilities Certificates for redemption on that date. Sufficiency of the deposits and investment earnings for those purposes will be verified by The Arbitrage Group, Tuscaloosa, Alabama. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS" below. Amounts in the Escrow Fund cannot be used for payment of principal or interest represented by the Certificates.

Series 2003B Certificates. The 2003B Certificates are being executed and delivered for the purpose of refinancing the City's lease payment obligations relating to the \$8,185,000 outstanding principal amount of Certificates of Participation (1993 Golf Course Project) (the "1993 Golf Course Certificates" and together with the 1993 Public Facilities Certificates, the "1993 Certificates"). The City will direct BNY Western Trust Company, in its capacity as trustee for the 1993 Golf Course Certificates (the "1993 Trustee") to establish an Escrow Fund (the "1993 Golf Course Escrow Fund") to be held by the 1993 Trustee in trust as an irrevocable escrow securing the payment of the 1993 Golf Course Certificates and the City's obligations with respect thereto. All cash and securities in the Escrow Fund will be irrevocably pledged as a special fund for the payment of the principal and interest represented by the 1993 Golf Course Certificates in accordance with the documents under which the 1993 Golf Course Certificates were issued. Amounts in the 1993 Golf Course Escrow Fund will be sufficient to pay and prepay all of the outstanding 1993 Golf Course Certificates on August 1, 2003, and the Authority and the City have irrevocably elected to call all of the outstanding 1993 Golf Course Certificates for redemption on that date. Sufficiency of the deposits and investment earnings for those purposes will be verified by The Arbitrage Group, Tuscaloosa, Alabama. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS" below. Amounts in the Escrow Fund cannot be used for payment of principal or interest represented by the Certificates.

THE LEASED PREMISES

2003A Certificates Leased Premises. The Leased Premises for the 2003A Certificates consists of the City's Corporation Yard and the land on which it is located, including an adjacent parking lot. The Corporation Yard was completed in 1994. The facility consists of four main buildings totaling approximately 146,000 square feet on an approximate 54-acre site in the City. The complex is comprised of a main administration building, central stores building housing a warehouse and purchasing operations, a vehicle maintenance facility and a shop complex for street maintenance, park maintenance, water/sewer, sign shop and refuse. There is also a fire training area, electric department training yard, covered vehicle parking and an outside storage yard.

The City, based on comparable properties, insurance appraisal and other records it maintains, estimates the current fair rental value of the 2003A Certificates Leased Premises to be not less than the amount of the 2003A Lease Payments.

2003B Certificates Leased Premises. The Leased Premises for the 2003B Certificates consists of the Woodcreek Oaks Golf Course, an 18-hole, par 72, 6,500 yard-long championship golf course, including an irrigation system and lakes to store water and water pumping facilities, together with other appurtenances comprising putting greens, chipping greens and practice ranges, a storage yard for maintenance equipment and golf course supplies, a club house with a pro shop, a restaurant and lounge areas, two permanent restrooms on the course, cart storage facilities and a landscaped parking area, together with related facilities. The Woodcreek Oaks Golf Course Improvements are constructed on an approximately 205-acre site located in the Northwest Roseville Specific Plan Area. The golf course was dedicated to the City by developers.

The City, based on comparable properties, insurance appraisal and other records it maintains, estimates the current fair rental value of the 2003B Certificates Leased Premises to be not less than the amount of the 2003B Lease Payments.

Substitution of Leased Premises. Each Lease Agreement relates to separate Leased Premises. In each Lease Agreement, the City is granted the option at any time and from time to time, to substitute other land, facilities, improvements, equipment or other property (the “**Substitute Leased Premises**”) for the respective Leased Premises or any portion thereof (the “**Former Leased Premises**”), provided that the City shall satisfy all of the following requirements which are hereby declared to be conditions precedent to such substitution:

- (a) No Event of Default shall have occurred and be continuing;
- (b) The City shall file with the Authority and the Trustee, and (in the case of Substitute Leased Premises consisting of real property) cause to be recorded in the Office of the Placer County Recorder sufficient memorialization of, an amended Exhibit A to the related Site Lease and to the related Lease which adds thereto a description of such Substitute Leased Premises and deletes therefrom the description of such Former Leased Premises;
- (c) In the case of Substitute Leased Premises consisting of real property, the City shall obtain a CLTA policy of title insurance insuring the City's leasehold estate hereunder in such Substitute Leased Premises, in an amount at least equal to the aggregate principal amount of the related series of Outstanding Certificates (or if a portion of the Former Leased Premises is substituted, the aggregate principal amount of a portion of the Outstanding Certificates equal to the value of the Substitute Leased Premises required by subsection (e) below);
- (d) The City shall certify in writing to the Authority and the Trustee that such Substitute Leased Premises serves the municipal purposes of the City and constitutes property which the City is permitted to lease under the laws of the State;
- (e) The City delivers to the Trustee and the Authority evidence in the form of a written appraisal that such Substitute Leased Premises is of a value at least equal to the principal amount of the related series of Outstanding Certificates (or if a portion of the Former Leased Premises is to be substituted, the aggregate principal amount of a portion of the Outstanding Certificates which exceeds the value of the Leased Premises which is not being substituted) and has a useful life at least equal to the remaining term of any Outstanding Certificates;
- (f) The Substitute Leased Premises shall not cause the City to violate any of its covenants, representations and warranties made in the related series of Lease Agreement;
- (g) The City shall obtain the written consent of the Insurer;
- (h) The City shall obtain an opinion of Bond Counsel that the substitution of the Substitute Leased Premises shall not adversely affect the exclusion from gross income for purposes of federal income taxation of the interest component of the related series of Lease Payments; and
- (i) Written notice of such substitution shall be given by the City to any Rating Agency then rating the related series of Certificates.

Release of Leased Premises. As to each Lease Agreement considered independently, the City has the option at any time and from time to time, with the written consent of the Insurer, to release any portion of the Leased Premises, provided that the City shall satisfy all of the following requirements which are hereby declared to be conditions precedent to such release:

- (a) The City shall file with the Authority and the Trustee an amended Exhibit A to the Site Lease which describes the Leased Premises, as revised by such release;
- (b) The City shall file with the Authority and the Trustee an amended Exhibit A to the Lease Agreement which describes the Leased Premises, as revised by such release;
- (c) The City delivers to the Trustee and the Authority evidence in the form of a written appraisal that the Leased Premises, as revised by such release, is of a value at least equal to the principal amount of the related series of Outstanding Certificates and has a useful life at least equal to the remaining term of any related series of Outstanding Certificates;
- (d) The City shall obtain an amendment to the title insurance policy required pursuant to the Lease which describes the Site, as revised by such release; and
- (e) Written notice of such release shall be given by the City to any Rating Agency then rating the Certificates.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the Certificates and moneys available from the Prior Certificates are shown below.

SERIES 2003A CERTIFICATES

SOURCES:

Principal Amount of Certificates	\$18,275,000.00
Plus: Available from 1993 Public Facilities Certificates	2,774,834.26
Plus: Net Original Issue Premium	<u>351,119.90</u>
Total Sources	\$21,400,954.16

USES:

Deposit to Escrow Fund	\$19,570,610.00
Underwriter's Discount	102,340.00
Deposit to Reserve Fund ⁽¹⁾	1,316,732.50
Costs of Issuance ⁽²⁾	<u>411,271.66</u>
Total Uses	\$21,400,954.16

⁽¹⁾ Equal to the Reserve Requirement for the 2003A Certificates.

⁽²⁾ Includes filing and recording costs, printing costs, initial fees and charges of the Trustee and Escrow Agent, legal fees and charges, 2003A Certificates insurance premium, rating agency costs, financial advisor fees and miscellaneous expenses.

SERIES 2003B CERTIFICATES

SOURCES:

Principal Amount of Certificates	\$8,240,000.00
Plus: Available Funds from 1993 Golf Course Certificates	1,157,474.98
Plus: Net Original Issue Premium	<u>135,442.05</u>
Total Sources	\$9,532,917.03

USES:

Deposit to Escrow Fund	\$8,585,338.75
Underwriter's Discount	56,856.00
Deposit to Reserve Fund ⁽¹⁾	624,020.00
Costs of Issuance ⁽²⁾	<u>266,702.28</u>
Total Uses	\$9,532,917.03

⁽¹⁾ Equal to the Reserve Requirement for the 2003B Certificates.

⁽²⁾ Includes filing and recording costs, printing costs, initial fees and charges of the Trustee and Escrow Agent, and legal fees and charges, 2003B Certificates insurance premium, rating agency costs, financial advisor fees and miscellaneous expenses.

THE CERTIFICATES

General

The Certificates evidence and represent direct, undivided fractional interests of the Owners thereof in the principal and interest components of Lease Payments to be made by the City under the respective Lease Agreement for each series of Certificates. ***Lease Payments related to each series of Certificates are not a source of payment for the other series of Certificates.***

The Certificates will be executed and delivered in principal amounts of \$5,000 or integral multiples thereof. Interest represented by each Certificate will accrue on the principal components represented by such Certificate at the applicable interest rate from the date of original delivery of the Certificates until the date of maturity or prior prepayment, with interest becoming payable on each February 1 and August 1 (each, an "**Interest Payment Date**"), commencing February 1, 2004. Interest represented by each Certificate will be computed on the basis of a 360-day year consisting of twelve 30-day months.

Prepayment

Optional Prepayment. Each series of Certificates maturing on or before August 1, 2013, are not subject to optional prepayment prior to the respective stated maturities. Each series of Certificates maturing on or after August 1, 2014, are subject to optional prepayment in whole or in part, on any date on or after August 1, 2013, from prepayments of the related Lease Payments made at the option of the City pursuant to the related Lease, at a prepayment price equal to the principal amount thereof, without premium, together with accrued interest represented thereby to the date fixed for prepayment.

Extraordinary Mandatory Prepayment from Net Proceeds of Insurance or Condemnation. Each series of Certificates are also subject to mandatory prepayment on any date, in whole or in part, from the Net Proceeds of insurance or eminent domain proceedings credited towards the prepayment of the Lease Payments pursuant to the related Lease, at a

prepayment price equal to 100% of the principal amount to be prepaid, together with accrued interest represented thereby to the date fixed for prepayment, without premium. In accordance with the Trust Agreement, the Trustee shall deposit such Net Proceeds in the Insurance and Condemnation Fund established under the Trust Agreement, to be applied to repair or replace the related Leased Premises, or to prepay related Certificates, in accordance with the provisions of the Trust Agreement. See “SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Insurance.”

2003A Certificates Mandatory Sinking Fund Prepayment. The Term 2003A Certificates maturing on August 1, 2025, are also subject to mandatory sinking fund payment by lot on August 1 in each year beginning August 1, 2018, from the principal components of the related Lease Payments required to be paid with respect to each of such dates, at a prepayment price equal to 100% of the principal amount to be prepaid, together with accrued interest represented thereby to the prepayment date, without premium, as follows:

Term 2003A Certificates Maturing August 1, 2025

<u>Prepayment Date (August 1)</u>	<u>Principal Amount of Term 2003A Certificates To Be Paid</u>
2018	\$890,000
2019	935,000
2020	980,000
2021	1,030,000
2022	1,080,000
2023	1,135,000
2024	1,190,000
2025 (maturity)	1,250,000

Notwithstanding the foregoing provisions, in the event that some but not all of the Term 2003A Certificates have been prepaid pursuant to optional or mandatory sinking fund prepayment, the aggregate principal amount of such Term 2003A Certificates to be prepaid in each year thereafter shall be reduced by the aggregate principal amount of such Term 2003A Certificates so prepaid, to be allocated among sinking fund installments on a pro rata basis as directed by the City in integral multiples of \$5,000 such that the resulting amount of principal represented by such Term 2003A Certificates subject to prepayment on any date is equal to the aggregate principal components of the related Lease Payments coming due and payable on such date.

2003B Certificates Mandatory Sinking Fund Prepayment. The Term 2003B Certificates maturing on August 1, 2023, are also subject to mandatory sinking fund payment by lot on August 1 in each year beginning August 1, 2018, from the principal components of the related Lease Payments required to be paid with respect to each of such dates, at a prepayment price equal to 100% of the principal amount to be prepaid, together with accrued interest represented thereby to the prepayment date, without premium, as follows:

Term 2003B Certificates Maturing August 1, 2023

<u>Prepayment Date (August 1)</u>	<u>Principal Amount of Term 2003B Certificates To Be Paid</u>
2018	\$465,000
2019	485,000
2020	510,000
2021	535,000
2022	565,000
2023 (maturity)	590,000

Notwithstanding the foregoing provisions, in the event that some but not all of the Term 2003B Certificates have been prepaid pursuant to optional or mandatory sinking fund prepayment, the aggregate principal amount of such Term 2003B Certificates to be prepaid in each year thereafter shall be reduced by the aggregate principal amount of such Term 2003B Certificates so prepaid, to be allocated among sinking fund installments on a pro rata basis as directed by the City in integral multiples of \$5,000 such that the resulting amount of principal represented by such Term 2003B Certificates subject to prepayment on any date is equal to the aggregate principal components of the related Lease Payments coming due and payable on such date.

Selection of Certificates for Prepayment. Whenever less than all Outstanding Certificates of either series are called for prepayment, the Trustee shall select Certificates of such series for prepayment among maturities in any manner as directed by the City, and by lot within a maturity. For the purposes of such selection, Certificates shall be deemed to be composed of \$5,000 portions, and any such portion may be separately prepaid.

Notice of Prepayment. While the Certificates are subject to DTC's book-entry system, the Trustee will be required to give notice of prepayment only to DTC as provided in the letter of representations executed by the City and received and accepted by DTC. DTC and the Participants will have sole responsibility for providing any such notice of prepayment to the beneficial owners of the Certificates to be prepaid. Any failure of DTC to notify any Participant, or any failure of Participants to notify the Beneficial Owner of any Certificates to be prepaid, of a notice of prepayment or its content or effect will not affect the validity of the notice of prepayment, or alter the effect of prepayment described below under "–Effect of Prepayment."

During any period in which the Certificates are not subject to the book-entry system, notice of prepayment of any Certificates to be prepaid will be given to the respective Owners of Certificates designated for prepayment by first-class mail, postage prepaid, at their addresses appearing on the registration books of the Trustee as of the close of business on the day before such notice of prepayment is given, at least 30 but not more than 60 days prior to the prepayment date.

Effect of Prepayment. If notice of prepayment has been duly given as aforesaid and the deposit of the prepayment price has been made by the City, the Certificates or portions of Certificates so to be prepaid will, on the prepayment date, become due and payable at the prepayment price therein specified, and from and after such date interest with respect to such Certificates or portions of Certificates will cease to accrue and be payable. Upon surrender of such Certificates for prepayment in accordance with said notice, such Certificates will be paid by the Trustee at the prepayment price. Installments of interest due on or prior to the prepayment date will be payable as provided in the Trust Agreement for payment of interest.

Book-Entry Only System

The Certificates will be executed and delivered as fully registered certificates, 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 Certificates (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 in this Official Statement) as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Certificates. See “APPENDIX G – Book-Entry Only System.” If the book-entry-only system is no longer used with respect to the Certificates, the Certificates will be registered and transferred in accordance with the Trust Agreement, as described below.

Transfer and Exchange of Certificates

The following provisions regarding the exchange and transfer of the Certificates apply only if and when the Certificates are not subject to DTC’s book-entry system. While the Certificates are subject to DTC’s book-entry system, their exchange and transfer will be effected through DTC and the Participants and will be subject to the procedures, rules and requirements established by DTC. See “APPENDIX G – Book-Entry Only System.”

All Certificates are transferable by the Owner thereof, in person or by his or her attorney duly authorized in writing, at the principal corporate trust office of the Trustee on the books required to be kept by the Trustee under the provisions of the Trust Agreement, upon surrender of such Certificates for cancellation accompanied by delivery of a duly executed written instrument of transfer in a form acceptable to the Trustee, manually executed.

Whenever any Certificate or Certificates are surrendered for transfer, the Trustee will execute and deliver a new Certificate or Certificates for like aggregate principal amount in authorized denominations. The Trustee will require the payment by any Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer.

The Certificates may be exchanged, upon surrender thereof, at the principal corporate trust office of the Trustee for a like aggregate principal amount of Certificates of other authorized denominations of the same maturity. Whenever any Certificate or Certificates are surrendered for exchange, the Trustee shall execute and deliver a new Certificate or Certificates for like principal amount in authorized denominations. The City will pay any costs of the Trustee incurred in connection with such exchange, except that the Trustee may require the payment by the Certificate Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

The Trustee may refuse to transfer or exchange either (i) any Certificate during the period established by the Trustee for the selection of Certificates for prepayment, or (ii) any Certificate selected for prepayment.

LEASE PAYMENT SCHEDULE

Following is the annual schedule of Lease Payments due with respect to the Certificates.

Year Ending August 1	2003A Certificates <u>Principal</u>	2003A Certificates <u>Interest</u>	2003A Certificates <u>Total</u>	2003 B Certificates <u>Principal</u>	2003B Certificates <u>Interest</u>	2003B Certificates <u>Total</u>
2004	\$565,000	\$ 749,405.10	\$1,314,405.10	\$295,000	\$ 326,590.31	\$ 621,590.31
2005	605,000	710,052.50	1,315,052.50	315,000	308,465.00	623,465.00
2006	615,000	697,952.50	1,312,952.50	320,000	302,165.00	622,165.00
2007	630,000	685,652.50	1,315,652.50	325,000	295,765.00	620,765.00
2008	640,000	673,052.50	1,313,052.50	335,000	289,265.00	624,265.00
2009	660,000	657,052.50	1,317,052.50	340,000	280,890.00	620,890.00
2010	675,000	638,902.50	1,313,902.50	350,000	271,540.00	621,540.00
2011	695,000	618,652.50	1,313,652.50	360,000	261,040.00	621,040.00
2012	720,000	596,412.50	1,316,412.50	375,000	249,340.00	624,340.00
2013	740,000	572,652.50	1,312,652.50	385,000	236,590.00	621,590.00
2014	765,000	547,492.50	1,312,492.50	400,000	223,115.00	623,115.00
2015	795,000	520,717.50	1,315,717.50	415,000	208,715.00	623,715.00
2016	825,000	491,302.50	1,316,302.50	430,000	192,945.00	622,945.00
2017	855,000	459,127.50	1,314,127.50	445,000	175,745.00	620,745.00
2018	890,000	424,500.00	1,314,500.00	465,000	157,500.00	622,500.00
2019	935,000	380,000.00	1,315,000.00	485,000	134,250.00	619,250.00
2020	980,000	333,250.00	1,313,250.00	510,000	110,000.00	620,000.00
2021	1,030,000	284,250.00	1,314,250.00	535,000	84,500.00	619,500.00
2022	1,080,000	232,750.00	1,312,750.00	565,000	57,750.00	622,750.00
2023	1,135,000	178,750.00	1,313,750.00	590,000	29,500.00	619,500.00
2024	1,190,000	122,000.00	1,312,000.00	-	-	-
2025	<u>1,250,000</u>	<u>62,500.00</u>	<u>1,312,500.00</u>	-	-	-
Total	\$18,275,000	10,636,427.60	\$6,911,427.60	\$8,240,000	\$4,195,670.31	\$12,435,670.31

SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES

Neither the Certificates nor the obligation of the City to make Lease Payments constitute an obligation of the City for which the City is obligated to levy or pledge, or for which the City has levied or pledged, any form of taxation. Neither the Certificates nor the obligation of the City to make Lease Payments constitute an indebtedness of the Authority, the City, the State of California or any of its political subdivisions within the meaning of any constitutional limitation or violates any statutory debt limitation or restriction.

Delivery of the Certificates

Each 2003A Certificate and 2003B Certificate evidences and represents a direct, undivided fractional interest in the principal component of the Lease Payments due under the respective 2003A Lease Agreement or 2003B Lease Agreement on the payment date or prepayment date of such Certificate, and the interest component of all such Lease Payments (based on the stated interest rate with respect to such Certificate) to accrue from the date of original delivery of the Certificates to its payment date or prepayment date, as the case may be.

The Authority, under each Assignment Agreement, will assign to the Trustee for the benefit of the Certificate Owners substantially all of the Authority's right, title and interest in and to the related Lease Agreement, including, without limitation, its right to receive Lease Payments to be paid by the City; except that the Authority will retain the rights to indemnification and to payment of reimbursement of its reasonable costs and expenses under the Lease Agreement. The City will pay Lease Payments directly to the Trustee, as assignee of the Authority. See "Lease Payments" below.

Lease Payments

For the right to the use and occupancy of the Leased Premises related to each series of Certificates, each Lease Agreement requires the City to make respective Lease Payments. Lease Payments are due and payable in immediately available funds on the fifteenth calendar day of the month preceding each respective Interest Payment Date specified in the Trust Agreement and are to be deposited by the City with the Trustee on each of the Lease Payment Dates during the term of the Lease Agreement. The Lease Payments are payable from any source of legally available funds of the City, which includes the General Fund. The Certificates are not secured by a pledge of or lien on any funds or properties of the City. *Lease Payments made pursuant to each Lease Agreement are not available for payment of Lease Payments on the other Lease Agreement.*

Scheduled Lease Payments relating to the Certificates are set forth above under the heading "LEASE PAYMENT SCHEDULE."

THE OBLIGATION OF THE CITY TO MAKE THE LEASE PAYMENTS DOES NOT CONSTITUTE A DEBT OF THE CITY OR THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMIT OR RESTRICTION, AND DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE CITY OR THE STATE IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY OR THE STATE HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

Additional Rental Payments

In addition to the Lease Payments, each Lease Agreement requires the City to pay all costs and expenses incurred by the Authority to comply with the provisions of the respective Trust Agreement, including without limitation all Costs of Issuance (to the extent not paid from

amounts on deposit in the Costs of Issuance Fund), indemnification and annual compensation due to the Trustee and all of its reasonable costs payable as a result of the performance of and compliance with its duties under the Trust Agreement, and all costs and expenses of attorneys, auditors, engineers and accountants (the “**Additional Payments**”). Such costs and expenses shall be payable as additional amounts of rental in consideration of the right of the City to use and occupy the related Leased Premises. *Amounts payable to Owners of the Certificates are not derived from Additional Payments.*

Covenant to Appropriate Funds for Lease Payments

The Lease Payments and Additional Payments are payable from any source of legally available funds of the City, including (but not limited to) amounts held by the City in its General Fund. The City covenants in each Lease Agreement that, it will take such action as may be necessary to include all Lease Payments due under such Lease in each of its annual budgets during the Term of the Lease Agreement and to make the necessary annual appropriations for all such Lease Payments. Annually, the City will furnish to the Trustee a certificate of the City Representative stating that the Lease Payments have been included in the final budget of the City for the current Fiscal Year, to the full extent required, such certificate to be filed within thirty (30) days after the adoption of such budget and in any event no later than September 1 in the calendar year in which the City adopts such budget. These covenants on the part of the City shall be deemed to be and shall be construed to be duties imposed by law and it shall be the duty of each and every public official of the City to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the City to carry out and perform the covenants and agreements in the Lease Agreement agreed to be carried out and performed by the City.

The City additionally covenants in each Lease Agreements that it will not directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to all or any portion of the related Leased Premises, other than the respective rights of the Authority and the City as provided in the Lease Agreement and Permitted Encumbrances. The Authority likewise makes this covenant in the Lease Agreement.

Abatement

As to each Lease Agreement and each Leased Premises considered independently, the City is obligated to pay the Lease Payments in each annual rental period for and in consideration of the right to use and occupy the Leased Premises during each such period. Except as otherwise provided in each Lease Agreement, the related Lease Payments shall be abated during any period in which, by reason of damage, destruction or other event (other than by eminent domain which is also provided for in the Lease Agreement), there is substantial interference with the use and occupancy by the City of the related Leased Premises or any portion thereof. The extent of such abatement shall be agreed upon by the City and the Authority, such that the resulting Lease Payments represent fair consideration for the use and occupancy of the portions of the related Leased Premises not damaged, destroyed, incomplete or otherwise unavailable for use and occupancy by the City. Such abatement shall continue for the period commencing with such damage, destruction or other event and ending with the substantial completion of the work of repair or reconstruction or of completion of the Leased Premises or of the regained availability of use and occupancy. In the event of any such damage, destruction, non-completion or non-availability, the related Lease Agreement shall continue in full force and effect and the City waives any right to terminate such Lease Agreement by virtue of any such damage, destruction, non-completion or unavailability.

Notwithstanding the foregoing, there shall be no abatement of Lease Payments by reason of damage, destruction or unavailability of all or a portion of the Leased Premises to the extent that: (i) the value of the portions of the Leased Premises not damaged, destroyed, incomplete or otherwise unavailable for use and occupancy by the City, based upon a written appraisal, is equal to or greater than the related series of Outstanding Certificates; or (ii) the proceeds of rental interruption insurance or amounts in the Insurance and Condemnation Fund or the related Lease Payment Fund are available to pay Lease Payments which would otherwise be abated. See “APPENDIX D – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – The Lease Agreement” and “RISK FACTORS – Abatement.”

Action on Default

If the City defaults under a Lease Agreement, the Trustee, as assignee of the Authority under the Lease Agreement, may terminate such Lease Agreement and recover certain damages from the City, or may retain the Lease Agreement and hold the City liable for all Lease Payments thereunder on an annual basis as they become due. The Lease Payments may not be accelerated upon a default under the Lease Agreement. See “RISK FACTORS.”

For a description of the events of default and permitted remedies of the Trustee (as assignee of the Authority) contained in the Lease Agreements and the Trust Agreement, see “APPENDIX D – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – The Lease Agreements” and “– The Trust Agreement.”

Reserve Fund

As to each series of Certificates, a reserve fund (the “**Reserve Fund**”) is established by the respective Trust Agreement to be held by the Trustee in trust for the benefit of the City and the Owners of the Certificates in an amount equal to, as of any date of calculation the least of (1) maximum annual debt service on such series of Outstanding Certificates; (b) 125% of average annual debt service; or (c) ten percent (10%) of the total amount of the proceeds of such series of Certificates deposited under the Trust Agreement (the “**Reserve Requirement**”). If the amount on deposit in the Reserve Fund is less than the full Reserve Requirement, the Trustee will retain therein all earnings on the investment of amounts in the Reserve Fund until the full Reserve Requirement is on deposit. All amounts on deposit in the Reserve Fund in excess of the Reserve Requirement, and all amounts derived from the investment of amounts in the Reserve Fund which are not required to be retained therein to maintain the Reserve Requirement, shall be transferred by the Trustee to the related Lease Payment Fund on or before each Interest Payment Date. ***Each Reserve Fund is available only for the series of Certificates to which it relates.***

Moneys in each Reserve Fund shall be held in trust as a reserve for the payment when due of the respective Lease Payments to which it relates on behalf of the City. If on any Interest Payment Date the moneys in the respective Lease Payment Fund do not equal the amount of the related Lease Payments then coming due and payable, the Trustee shall apply the moneys available in the respective Reserve Fund to make such payments on behalf of the City by transferring the amount necessary for this purpose to the related Lease Payment Fund. Upon receipt of any delinquent Lease Payment with respect to which moneys have been advanced from the respective Reserve Fund, such Lease Payment shall be deposited in such Reserve Fund to the extent of such advance.

As to each series of Certificates, if on any Interest Payment Date the moneys on deposit in the related Reserve Fund and the related Lease Payment Fund (excluding amounts required for payment of principal, interest and prepayment premium, if any, represented by such series of Certificates theretofore having come due but not presented for payment) are sufficient to pay

or prepay all Outstanding Certificates of such series, including all principal, interest and prepayment premiums (if any) represented thereby, the Trustee shall, upon the written request of a City Representative, transfer all amounts then on deposit in such Reserve Fund to such Lease Payment Fund to be applied for such purpose to the payment of the related Lease Payments on behalf of the City.

The City shall have the right at any time to release funds from a Reserve Fund and to substitute the deposit therein with an irrevocable standby or direct-pay letter of credit or surety bond issued by a commercial bank or insurance company (a “**Qualified Reserve Fund Credit Instrument**”), provided that all of the following requirements are met: (a) the long-term credit rating of such bank or insurance company is in the highest rating category by Moody’s and S&P; (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 Reserve Requirement with respect to which funds are proposed to be released; and (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 related Lease Payment Fund for the purpose of making payments required pursuant to the related Lease Agreement. Such release of moneys in the Reserve Fund and substitution with a Qualified Reserve Fund Credit Instrument also requires written confirmation from each rating agency then rating the related series of Certificates that such substitution will not adversely affect the rating it has at the time assigned to such Certificates, and an opinion of Bond Counsel stating that such release will not, of itself, cause the portion of the Lease Payments designated as and comprising interest to become includable in gross income for purposes of federal income taxation.

Insurance

General Liability Insurance. Each Lease Agreement requires the City to maintain a standard comprehensive general insurance policy or policies in protection of the City, and its members, officers, agents, employees and assigns. Said policy or policies shall provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the related Leased Premises. Such policy or policies shall provide coverage in such liability limits and be subject to such deductibles as the City shall deem adequate and prudent. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and such liability insurance may be maintained in whole or in part in the form of self-insurance by the City, subject to the provisions of the Lease Agreement, or in the form of the participation by the City in a joint powers agency or other program providing pooled insurance. The proceeds of such liability insurance shall be applied by the City toward extinguishment or satisfaction of the liability with respect to which paid.

Casualty Insurance. Each Lease Agreement also requires the City to procure and maintain insurance against loss or damage to any improvements constituting any part of the respective Leased Premises by fire and lightning, with extended coverage and vandalism and malicious mischief insurance, and earthquake insurance (but with respect to such earthquake insurance, only if and to the extent available at reasonable cost from reputable insurers). Said extended coverage insurance shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance. Such insurance shall be in a loss recoverable amount at least equal to the greater of (a) one hundred ten percent (110%) of the aggregate principal amount of the related series of Outstanding Certificates, or (b) one hundred percent (100%) of the replacement cost of the insured property. Such insurance may be subject to deductible clauses of not to exceed \$250,000 for any one loss to the related Leased Premises and such earthquake insurance, if any, may be subject to a deductible clause of not to exceed ten percent (10%) of said

replacement cost for any one loss to the insured improvements. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and such insurance may be maintained in whole or in part in the form of the participation by the City in a joint powers agency or other program providing pooled insurance; provided that such insurance may not be maintained in the form of self-insurance.

Rental Interruption Insurance. Each Lease Agreement further requires the City to cause to procure and maintain, for the benefit of the Authority, rental interruption insurance to cover loss, total or partial, of the rental payments as a result of any of the hazards covered by the casualty insurance, in an amount at least equal to the maximum respective Lease Payments payable with respect to the improvements during the current or any future twenty-four (24) month period. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and such insurance may be maintained in whole or in part in the form of the participation by the City in a joint powers agency or other program providing pooled insurance; provided that such insurance may not be maintained in the form of self-insurance. The proceeds of such insurance shall be paid to the Trustee and shall be credited towards the payment of the respective Lease Payments in the order in which such Lease Payments come due and payable.

Title Insurance. Each Lease Agreement also requires the City to obtain a title insurance policy insuring the City's leasehold estate hereunder in the respective Leased Premises, subject only to Permitted Encumbrances, in an amount at least equal to the aggregate original principal amount of the related series of Certificates. All Net Proceeds received under any such title insurance policy shall be deposited with the Trustee in the respective Lease Payment Fund and shall be credited towards the prepayment of the remaining respective Lease Payments.

Form of Policies and Net Proceeds of Insurance. Each above-described policy of insurance shall name the Authority, the City and the Trustee as insureds and the Trustee as loss payee so as to provide that all proceeds thereunder shall be payable to the Trustee. Unless otherwise consented to by the Insurer in writing, each policy of insurance for rental interruption and casualty shall be provided by a commercial insurer rated A by AM Best & Company or in the two highest rating categories of S&P or Moody's. The City shall pay or cause to be paid when due the premiums for all insurance policies required by the Lease Agreements. All such policies shall provide that the Trustee shall be given thirty (30) days' prior notice of expiration, any intended cancellation thereof or reduction of the coverage provided thereby. The Net Proceeds of any insurance award resulting from any damage to or destruction of the Leased Premises by fire or other casualty shall be paid to the Trustee. In accordance with the Trust Agreement, the Trustee shall deposit such Net Proceeds in the respective Insurance and Condemnation Fund established under each Trust Agreement, to be applied as set forth in the Trust Agreement. See "THE CERTIFICATES – Prepayment."

Eminent Domain. The Net Proceeds of any eminent domain award resulting from any eminent domain proceedings shall be paid to the Trustee. In accordance with the respective Trust Agreement for each series of Certificates, the Trustee shall deposit such Net Proceeds in the respective Insurance and Condemnation Fund established under the Trust Agreement, to be applied as follows:

(a) If the City has given written notice to the Trustee of its determination that (i) such eminent domain proceedings have not materially affected the operation of the respective Leased Premises or the ability of the City to meet any of its obligations with respect to such Leased Premises under the Lease Agreement, and (ii) such proceeds are not needed for repair or rehabilitation of such Leased Premises, the City shall so certify to the Trustee and the Trustee, at the City's written request, shall transfer such proceeds to the respective Lease Payment Fund

for the prepayment of the respective Lease Payments and applied to the prepayment of the respective Certificates. See “THE CERTIFICATES - Prepayment.”

(b) If the City has given written notice to the Trustee of its determination that (i) such eminent domain proceedings have not materially affected the operation of the respective Leased Premises or the ability of the City to meet any of its obligations with respect to the Leased Premises under the respective Lease Agreement, and (ii) such proceeds are needed for repair, rehabilitation or replacement of such Leased Premises, the City shall so certify to the Trustee and the Trustee, at the City’s written request, shall pay to the City, or to its order, from said proceeds such amounts as the City may expend for such repair or rehabilitation.

(c) If (i) less than all of the respective Leased Premises shall have been taken in such eminent domain proceedings or sold to a government threatening the use of eminent domain powers, and if the City has given written notice to the Trustee of its determination that such eminent domain proceedings have materially affected the operation of such Leased Premises or the ability of the City to meet any of its obligations with respect to such Leased Premises under the related Lease Agreement or (ii) all of such Leased Premises shall have been taken in such eminent domain proceedings, then the Trustee shall transfer such proceeds to the Lease Payment Fund to be applied to the prepayment of the respective Lease Payments and applied to the prepayment of the respective Certificates. See “THE CERTIFICATES – Prepayment.”

FINANCIAL GUARANTY INSURANCE POLICY

The following information has been furnished by Ambac Assurance Corporation for use in this Official Statement. Such information has not been independently confirmed or verified by the City. No representation is made herein by the City as to the accuracy or adequacy of such information subsequent to the date hereof, or that the information contained and incorporated herein by reference is correct. Reference is made to Appendix E for a specimen of Ambac Assurance’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 each series of the Certificates effective as of the date of issuance of the Certificates. 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 on the Certificates which shall become Due for Payment but shall be unpaid by reason of Nonpayment by Agency (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 Paying Agent. The insurance will extend for the term of the Certificates and, once issued, cannot be canceled by Ambac Assurance.

Each Financial Guaranty Insurance Policy will insure, as to each respective series of Certificates, 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 Certificates become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding Certificates, Ambac Assurance will remain obligated to pay principal of and interest on outstanding Certificates 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 Certificates, 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 Certificate which has become Due for Payment and which is made to a bondholder by or on behalf of the City 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 the Certificates to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Certificates 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 Certificate, appurtenant coupon, if any, or right to payment of principal or interest on such Certificate 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 and the Commonwealth of Puerto Rico, with admitted assets of approximately \$6,362,000,000 (unaudited) and statutory capital of \$3,945,000,000 (unaudited) as of March 31, 2003. 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, Inc. 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 City of the Certificates. 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 City.

Ambac Assurance makes no representation regarding the Certificates or the advisability of investing in the Certificates 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 the heading "FINANCIAL GUARANTY INSURANCE POLICY".

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 450 Fifth Street, N.W., 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 Current Report on Form 8-K dated January 23, 2003 and filed on January 24, 2003;
- 2) The Company's Current Report on Form 8-K dated February 25, 2003 and filed on February 28, 2003;
- 3) The Company's Current Report on Form 8-K dated February 25, 2003 and filed on March 4, 2003;
- 4) The Company's Current Report on Form 8-K dated March 18, 2003 and filed on March 20, 2003;
- 5) The Company's Current Report on Form 8-K dated March 19, 2003 and filed on March 26, 2003;

- 6) The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2002 and filed on March 28, 2003;
- 7) The Company's Current Report on Form 8-K dated March 25, 2003 and filed on March 31, 2003;
- 8) The Company's Current Report on Form 8-dated April 17, 2003 and filed on April 21, 2003; and
- 9) The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 2003 and filed on May 15, 2003.

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 CITY OF ROSEVILLE

Background

The City of Roseville (the "City") is located in southwest Placer County (the "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 is the largest city in the County as well as the residential and industrial center of the County. It is bordered by Sacramento County to the south, the City of Rocklin to the north and un-incorporated Placer County to the east and west. The estimated population of the City as of January 2002 was approximately 85,500.

The City was incorporated in 1909 and is a charter city. The City operates under the council-manager form of municipal government. Council members are elected at large for four-year terms of office. Two and three Council members will be elected alternately at the general municipal election in November of even-numbered years. The Council member receiving the highest number of votes in the latest election is seated as Mayor Pro Tempore for the first two years of his or her four-year term, and as Mayor for the final two years. The City Council enacts laws and establishes administrative policy for the city.

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

Certain demographic information concerning the City is included in Appendix A attached hereto.

Management

Members of the Council and their terms of office are shown below.

<u>Member</u>	<u>Position</u>	<u>Term Expires</u>
Rocky Rockholm	Mayor	2004
Gina Garbolino	Mayor Pro Tempore	2006
Richard Roccucci	Councilmember	2004
Earl Rush	Councilmember	2006
Jim Gray	Councilmember	2006

As administrative head of Roseville's municipal government, the City Manager implements City Council policy decisions and supervises the operation of all City departments and divisions. Senior staff of the City includes:

W. Craig Robinson, City Manager, was appointed the City Manager for the City in 2003. Prior to becoming the City Manager he served as Assistant City Manager for 14 years. Mr. Robinson holds a Bachelor's degree in Political Science and a Master's degree in Public Administration, both from Brigham Young University.

Russell C. Branson, Finance Director, is responsible for the accounting, budget, cash management, payroll, utility billing and public finance aspects of the City. Mr. Branson also manages the finances of the South Placer Wastewater Authority. He has been with the City since April 2000. Prior to assuming his current position, Mr. Branson served as an urban land economist for Economic & Planning Systems in Sacramento for 11 years. Mr. Branson has an M.B.A. from California State University at Sacramento.

Mark Doane, City Attorney, began working for the City in 1994. Prior to joining the City, Mr. Doane had 24 years of public sector legal experience. Mr. Doane advises the City Council and all board and commissions on legal propriety of proposed actions, represents the City in civil litigation and acts as a liaison to outside counsel, prosecutes municipal code violations, and acts as general counsel to the City's Housing Authority and the Redevelopment Agency.

Budgetary Process and Administration

The City Council adopts a budget annually for all governmental fund types. The City Manager monitors procedures to assure that expenditures of the City do not exceed the appropriations by department of the major summary categories (salaries and benefits, operating services and supplies, capital outlay, and capital improvement projects) in conformance with the adopted policies set by the City Council. Additional appropriations or interfund transfers not included in the original budget ordinance require approval by the City Council. Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all funds, except for proprietary funds, which do not budget for depreciation and do budget capital outlay. For further information concerning the City's budgetary procedures, see the City's audited financial statements attached hereto as Appendix B.

A final budget for fiscal year 2002-03 was adopted in June 2002. Set forth in the following table is the adopted budget for fiscal year 2002-03. Actual results for fiscal year 2002-03 could vary significantly from the adopted budget for such year.

CITY OF ROSEVILLE
General Fund Budget Summary

	2002-03 <u>Estimated Budget</u>	2003-04 <u>Proposed Budget</u>
Major Revenue Sources:		
Sales Tax	\$ 33,481,200	\$ 35,155,300
Property Tax	14,535,447	15,575,100
Utility Users Tax ⁽¹⁾	4,466,900	0 ⁽¹⁾
Current Services	12,394,683	12,390,574
Revenue from Other Agencies	6,006,360	5,218,960
Enterprise Franchise Fees	3,660,750	3,651,250
Estimated Operating Transfers In	3,808,350	2,240,860
Indirect Cost	7,385,060	10,168,940
All Other Revenues	<u>3,179,434</u>	<u>3,119,380</u>
Total Operating Revenue	\$88,918,184	\$87,520,364
Capital and Debt Revenues	\$3,290,127	\$1,987,000
Loan Repayments	320,000	470,000
Estimated Non-Recurring Revenues	<u>2,684,633</u>	<u>1,786,420</u>
Total Estimated General Fund Revenues	\$95,212,944	\$91,763,784
Operating Expenses:		
General Government	\$ 20,722,072	\$19,923,627
Community Development / Planning	3,763,958	3,896,095
Public Works	11,232,176	11,404,061
Public Safety	32,051,200	32,189,302
Libraries	2,894,295	2,989,705
Parks & Recreation	11,188,042	11,608,106
Debt Expenditures	1,592,215	1,584,660
Other Expenditures	<u>3,708,120</u>	<u>2,640,770</u>
Total Operating Expenditures	\$87,152,078	\$86,236,326
Capital Improvements	\$6,365,165	\$575,200
Transfers Out	4,417,165	2,879,390
Debt	1,592,215	1,584,660
Non-Recurring Expenses	<u>3,495,426</u>	<u>1,786,420</u>
Total Expenditures	\$101,429,834	\$91,477,336
Estimated Capital Expenditures	\$6,635,165	\$575,200
Estimated Capital Transfers Out	4,417,165	2,879,390
Estimated Non-Recurring Expenses	<u>3,495,426</u>	<u>1,786,420</u>
Total General Fund Expenditures	\$101,429,834	\$91,477,336

⁽¹⁾ In November 2000, a measure was put on the City's ballot by a group of citizens requesting that the voters repeal the 5% utility users tax. The City simultaneously put on a measure requesting that the voters keep the 5% utility users tax, making it a charter amendment and specifying that the tax go towards fire, police, parks & libraries. Both measures passed by a majority vote, with the City's measure passing by a higher percentage than the citizens' group. The concluded that the City measure had a higher precedence and that the tax should be left in place, however the citizen's group filed a suit contending that the City measure is required to meet the 2/3 majority approval requirement of Proposition 218. The City's position was that election was for specification of where the taxes would apply rather than an election for a new tax. The City lost in the lower courts in October 2001 and appealed, and was also ruled against in the appellate court.

Source: City of Roseville.

Summary Financial Information

GASB Statement No. 34. The Governmental Accounting Standards Board (“GASB”) published its Statement No. 34 “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments” (“GASB 34”) on June 30, 1999. GASB 34 established a new framework or “financial reporting model” for state and local governments by requiring them to issue annual basic financial statements preceded and followed by required supplementary information. This required information replaces the general purpose financial statements previously required and provides for financial statements prepared using an economic measurement focus and accrual basis of accounting. The basic financial statements consist of (i) government-wide financial statements displaying information about the reporting government as a whole, (ii) fund financial statements prepared using the current financial resources measurement focus and the modified accrual method of accounting, which report information about major funds individually and nonmajor funds in the aggregate, and (iii) notes to the financial statements. The basic financial statements are followed by the required supplementary information and preceded by a management’s discussion and analysis of the financial activities.

The requirements of Statement No. 34 are effective in three phases based on the governmental entity’s total annual revenues for the fiscal year ending after June 30, 1999. The phase-in is as follows:

- Phase I: Governments with total annual revenues (excluding extraordinary items) of \$100 million or more are required to implement for the year ending June 30, 2002.
- Phase II: Governments with total annual revenues (excluding extraordinary items) of at least \$10 million but less than \$100 million are required to implement for the year ending June 30, 2003.
- Phase III: Governments with total revenue of less than \$10 million (excluding extraordinary items) are required to implement for the year ending June 30, 2004.

The City was required to implement Statement No. 34 for the fiscal year 2001-02 audited financial statement.

Set forth below is a balance sheet for the City’s General Fund as of June 30 of the years 2000 through 2002 (audited). Also set forth below is a table summarizing the City’s statement of revenues and expenditures for the fiscal years ended June 30, 2000 through 2002 (audited). These results were compiled based on the City’s audited financial statements for the years ended June 30, 2000 through 2002. The City’s audited financial statements for the year ended June 30, 2002 are included as Appendix B attached hereto and should be read in their entirety.

CITY OF ROSEVILLE
General Fund Balance Sheet
June 30, 2000 through 2002 (audited)

	<u>2000</u>	<u>2001</u>	<u>2002</u>
ASSETS			
Cash and investments	\$ 11,006,565	\$ 17,590,729	\$ 32,136,484
Receivables:			
Taxes	1,454,490	--	1,507,597
Accounts	1,373,841	--	2,196,657
Interest	120,575	--	420,084
Due from other agencies	<u>1,838,314</u>	--	<u>6,709,316</u>
Total Receivables:	4,787,220	8,897,339 ¹	10,833,654
Due from other funds	\$ 183,086	\$ 317,683	\$ 259,684
Prepaid items	17,990	2,032	11,517
Advances to other funds	15,737,888	8,587,888	6,387,888
Notes receivable	184,385	167,969	158,983
Inventories	<u>494,769</u>	<u>402,930</u>	<u>396,794</u>
Total Assets	<u>\$32,411,903</u>	<u>\$35,966,570</u>	<u>\$50,185,004</u>
LIABILITIES			
Accounts payable	\$ 2,171,653	\$ 3,061,191	\$ 2,000,162
Accrued liabilities	1,443,200	1,605,509	1,742,480
Due to other funds	9,472	31,996	--
Due to other government agencies	6,088	25,125	36,024
Advances from other funds	1,656,917	--	--
Deposits	1,266,373	1,199,044	1,299,263
Deferred revenue	40,741	454,311	509,254
Compensated absences	<u>--</u>	<u>--</u>	<u>3,627,094</u>
Total Liabilities	\$6,594,444	\$6,377,176	\$9,214,277
FUND EQUITY			
Fund balances			
Reserved	17,748,596	10,686,999	9,127,227
Unreserved:			
Designated	5,533,700	9,361,184	24,261,068
Undesignated	<u>2,535,163</u>	<u>9,541,211</u>	<u>7,582,432</u>
Total Fund equity	25,817,459	29,589,394	40,970,727
Total Liabilities and Fund Balances	<u>\$32,411,903</u>	<u>\$35,966,570</u>	<u>\$50,185,004</u>

(1) Receivables breakdown not available for 2001.

Source: City of Roseville Audited Financial Statements for the years ending June 30, 2000 through 2002.

CITY OF ROSEVILLE
Statement of Revenues and Expenditures
and Changes in Fund Balance
General Fund
Fiscal Years Ended June 30

	Audited <u>2000</u>	Audited <u>2001</u>	Audited <u>2002</u>
Revenues:			
Property and other taxes	\$ 43,250,569	\$ 51,092,405	\$ 54,855,833
Licenses and permits	2,210,596	2,431,091	2,787,695
Service charges	6,947,679	8,202,129	9,254,035
Subventions and grants	4,161,416	5,180,262	5,388,644
Use of money and property	1,052,817	1,156,756	1,242,693
Fines, forfeitures and penalties	72,853	66,900	652,292
Other	<u>301,142</u>	<u>272,626</u>	<u>507,735</u>
Total Revenues	57,997,072	68,402,169	74,688,927
Expenditures:			
General government	15,434,372	14,210,158	15,199,665
Community development/planning	--	4,321,936	4,075,756
Public works	16,652,261	10,873,585	10,991,887
Public safety	20,551,250	23,065,839	24,279,152
Library	2,014,063	2,169,391	2,319,017
Parks and recreation	7,095,673	8,781,180	9,673,894
Capital Outlay	--	254,655	3,552,450
Payments under developer agreement	--	1,603,838	2,270,481
Debt Service Principal	2,067,740	481,040	457,202
Debt Service Interest	<u>164,752</u>	<u>128,969</u>	<u>103,336</u>
Total Expenditures	63,980,111	65,890,591	72,922,840
Excess of Revenues over (under) Expenditures	(5,983,039)	2,511,578	1,766,087
Other Financing Sources (Uses):			
Contributions from developers	301,263	55,540	2,338,128
Proceeds from capital lease	78,368	271,598	142,889
Operating transfers in	17,329,901	16,439,715	17,152,563
Operating transfers out	<u>(3,419,016)</u>	<u>(18,534,358)</u>	<u>(6,465,676)</u>
Total Other Financing Sources (Uses)	14,290,516	(1,767,505)	13,167,904
Excess of revenues and other financing sources over (under) expenditures and other uses	8,307,477	744,073	14,933,991
Fund Balances at beginning of year	17,509,982	28,845,321	26,036,736
Fund balances at end of year	\$25,817,459	\$29,589,394	\$40,970,727

Source: City of Roseville Audited Financial Statements for the years ending June 30, 2000 through 2002.

Property Taxes

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

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year, and become delinquent on December 10 and April 10, respectively. A penalty of 10% attaches immediately to all delinquent payments. Property on the secured roll with respect to which taxes are delinquent become tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of a penalty of 1% per month to the time of redemption, plus costs and a redemption fee. If taxes are unpaid for a period of five years or more, the property is deeded to the State and may be sold at public auction.

Property taxes on the unsecured roll are due as of the January 1 lien dates and become delinquent on August 31. A 10% penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5:00 p.m. on October 31, an additional penalty of 1% attaches to them on the first day of each month until paid. The County has four ways of collecting delinquent unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a judgment in the office of the County Clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

Beginning in 1978-79, Proposition 13 and its implementing legislation shifted the function of property tax allocation to the counties, except for levies to support prior voted debt, and prescribed how levies on county-wide property values are to be shared with local taxing entities within each county.

Certain counties in the State of California, including Placer, offer a statutory program entitled Alternate Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"). Under the Teeter Plan local taxing entities receive 100% of their tax levies net of delinquencies, but do not receive interest or penalties on delinquent taxes collected by the county.

Assessed Valuation Information. Set forth below is a listing of the City's assessed valuations, net of homeowners' and other exemptions, for fiscal years 1998-99 through 2002-03.

**CITY OF ROSEVILLE
Assessed Value of All Taxable Property**

	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>
1998-99	\$5,796,384,693	\$16,240,916	\$215,203,664	\$6,027,829,273
1999-00	6,413,527,427	11,254,038	226,718,482	6,651,499,947
2000-01	7,164,910,847	12,570,958	256,347,277	7,433,829,082
2001-02	8,186,727,173	15,445,847	335,148,597	8,537,321,617
2002-03	9,155,509,385	13,122,595	388,509,058	9,557,141,038

Source: California Municipal Statistics, Inc.

Set forth below is a table showing the typical tax rate in the City and property taxes levied and collected on the City's behalf for fiscal years 1997-98 through 2001-02.

CITY OF ROSEVILLE
2002-03 Typical Total Tax Rate (TRA 5-001)

County-wide	1.000000
Roseville Joint Union High School District	.022259
Roseville City School District	<u>.017758</u>
Total	1.040017

Source: California Municipal Statistics, Inc.

CITY OF ROSEVILLE
Secured Tax Charges and Delinquencies

	<u>Secured</u>	<u>Amt. Del.</u>	<u>% Del.</u>
	<u>Tax Charge</u>	<u>June 30</u>	<u>June 30</u>
1997-98	\$ 51,076,629.10 ⁽¹⁾	\$ 609,661.70	1.19%
1998-99	55,958,735.84 ⁽¹⁾	664,277.34	1.19
1999-00	61,313,265.88 ⁽¹⁾	614,593.21	1.00
2000-01	96,326,513.10 ⁽²⁾	1,121,868.83	1.16
2001-02	108,918,906.10 ⁽²⁾	1,244,059.65	1.14

(1) 1% General Fund levy collected within the city.

(2) All taxes collected within the city.

Source: California Municipal Statistics, Inc.

Largest Property Taxpayers. The twenty largest local secured property taxpayers in the City, as shown on the 2002-03 secured tax roll, are listed in the table below.

CITY OF ROSEVILLE
Largest Secured Taxpayers
Fiscal Year 2002-03

<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2002-03 Assessed Valuation</u>	<u>Percent of Total ⁽¹⁾</u>
NEC Electronics USA Inc.	Heavy Industrial	\$ 490,139,430	5.35%
Hewlett Packard Co.	Heavy Industrial	387,678,530	4.23
Urban Roseville LLC	Shopping Center/Mall	149,603,630	1.63
Spieker Properties	Office Building	67,400,000	0.74
Creekside Center LLC	Commercial	56,741,480	0.62
Rosemead LLC	Apartments	48,629,410	0.53
SI VII LLC	Apartments	43,074,588	0.47
Homarose LP	Light Industrial	39,321,000	0.43
Nordstrom Inc.	Commercial	34,899,124	0.38
Preserve at Creekside LLC	Apartments	31,504,609	0.34
Macy's West Inc.	Commercial	31,098,518	0.34
Lava Ridge Associates LLC	Office Building	30,768,459	0.34
Evergreen Britannia Land Joint Venture	Commercial	30,446,467	0.33
Lennar Renaissance Inc.	Residential Properties	29,769,752	0.33
Fairfield Highland Reserve LP	Apartments	29,140,778	0.32
JB Management LP	Industrial – Warehouses	28,877,784	0.32
Autumn Oaks 200 LLC	Apartments	28,541,517	0.31
Parkway Corporate Plaza LLC	Commercial	27,333,874	0.30
Vineyard Springs Estates LLC	Shopping Center	25,755,000	0.28
Roseville Development I & II LLC	Industrial – Warehouses	<u>25,353,636</u>	<u>0.28</u>
		<u>\$1,636,077,586</u>	<u>17.87%</u>

⁽¹⁾ 2002-03 Local Secured Assessed Valuation: \$9,155,509,385.
Source: California Municipal Statistics.

Major Revenue Sources

The City expects to receive over two thirds of its General Fund Revenues for 2003-04 from three sources, as shown below.

CITY OF ROSEVILLE
Anticipated Major Revenue Sources for 2003-04

	<u>2003-04 Proposed Budget</u>	<u>Percent of Gen. Fund Revenues</u>
Sales & Use Tax	\$35,155,300	38.31%
Property Taxes	14,535,447	16.97
Current Services	12,394,683	13.50

Source: City of Roseville.

Sales and Use Taxes. Sales and use taxes represent the largest source of tax revenue to the City. A sales tax is imposed on retail sales or consumption of personal property. The tax rate is established by the State Legislature. Effective January 1, 2002, the aggregate tax rate in the State became 7.25%. The State collects and administers the tax, and makes distributions on taxes collected within the City as follows:

CITY OF ROSEVILLE
Sales Tax Rates

State General Fund	6.00%
Local Rate	1.25
Total	7.25%

The State’s actual administrative costs with respect to the portion of sales taxes allocable to the City are deducted before distribution and are determined on a quarterly basis. Sales Tax revenue collected by the State is directly deposited monthly to the City’s General Fund.

Motor Vehicle License Fees. The City receives a portion of Department of Motor Vehicles fees collected statewide and other payments in-lieu of taxes. In 1998, these fees were significantly reduced by State legislation. The legislation includes provisions to make transfers from the State’s General Fund to replace these reduced revenues to localities. The City expects future receipts of these fees to be affected by the State’s current financial problems. See “LIMITATIONS ON TAX REVENUES – State Budgets.”

Fines & Forfeitures. The California Vehicle Code and the Roseville Municipal Code mandate and/or allow for the imposition of civil penalties for parking violations. These penalties are collected by the City. Fines assessed for moving violations of the California Vehicle Code and non-parking violations of the Roseville Municipal Code are collected by the County and partially remitted to the City.

Defeat of Utility User’s Tax. In November 2000, a measure was put on the City’s ballot by a group of citizens requesting that the voters repeal the 5% utility users tax. The City simultaneously put on a measure requesting that the voters keep the 5% utility users tax, making it a charter amendment and specifying that the tax go towards fire, police, parks & libraries. Both measures passed by a majority vote, with the City’s measure passing by a higher percentage than the citizens’ group. The concluded that the City measure had a higher precedence and that the tax should be left in place, however the citizen’s group filed a suit contending that the City measure is required to meet the 2/3 majority approval requirement of Proposition 218. The City’s position was that election was for specification of where the taxes would apply rather than an election for a new tax. The City lost in the lower courts in October 2001 and appealed, and was also ruled against in the appellate court.

Outstanding General Fund Obligations

The City has no long term general fund obligations other than the 1993 Certificates to be refunded with proceeds of the Certificates.

Overlapping Debt Statement

Set forth below is a direct and overlapping debt report (the “**Debt Report**”) prepared by California Municipal Statistics, Inc. and dated June 1, 2003. This Debt Report is included for general information purposes only. The City has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

CITY OF ROSEVILLE
Direct and Overlapping Debt
June 1, 2003

2002-03 Assessed Valuation: \$9,557,141,048
 Redevelopment Incremental Valuation: 312,669,152
 Adjusted Assessed Valuation: \$9,244,471,896

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 6/1/03</u>
Placer County Water Agency, Zone No. 1	1.574%	\$ 8,027
Roseville Joint Union High School District	73.413	30,267,392
Rocklin Unified School District	0.020	13,464
Dry Creek Joint School District	65.309	13,076,848
Eureka Union School District	38.192	4,616,837
Roseville City School District	96.981	27,320,295
San Juan Suburban Water District	4.266	81,267
City of Roseville Community Facilities Districts	38.655-100.	226,206,000
City of Roseville 1915 Act Bonds	100.	<u>4,620,000</u>
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		\$306,210,130

<u>DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>		
Placer County Certificates of Participation	30.932%	\$ 7,893,846
Placer County Office of Education Certificates of Participation	30.932	989,824
Sierra Joint Community College District Certificates of Participation	22.197	1,019,952
Roseville Joint Union High School District Certificates of Participation	73.413	1,196,632
Eureka Union School District Certificates of Participation	38.192	3,019,078
Roseville City School District Certificates of Participation	96.981	20,472,689
City of Roseville Certificates of Participation	100.	<u>26,940,000</u> (1)
TOTAL DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		\$61,532,021

COMBINED TOTAL DEBT \$367,742,151 (2)

- (1) Excludes refunding certificates of participation 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 2002-03 Assessed Valuation:
 Total Overlapping Tax and Assessment Debt 3.20%

Ratios to Adjusted Assessed Valuation:
Combined Direct Debt (\$26,940,000)..... 0.29%
 Combined Total Debt..... 3.98%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/02: \$0

Source: California Municipal Statistics, Inc.

Employee Relations and Collective Bargaining

City employees are represented by six employee associations. Ordinance and the Meyers-Millis-Brown-Act, the City and the employee associations negotiate wages, hours and conditions of employment.

<u>Employee Association</u>	<u>Employees</u>	<u>Contract Expires</u>
Management/Confidential	194	12/31/03
IBEW #1245 *	112	12/31/03
Local 39 **	427	12/31/03
Roseville Firefighters #1592	70	12/31/03
Roseville Police Association	66	12/31/04
Roseville Police Officers Assn	82	12/31/04

*International Brotherhood of Electrical Workers, AFL-CIO

**International Union of Operating Engineers, Stationary Engineers City

Pension Plans

Substantially all City employees are eligible to participate in pension plans offered by California Public Employees' Retirement System ("CalPERS"), an agent multiple employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. CalPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Copies of CalPERS' annual financial report may be obtained from its Executive Office located at 400 P Street, Sacramento, CA 95814.

The City's employees participate in the separate Safety (police and fire) and Miscellaneous (all other) employee plans. Benefit provisions under both plans are established by State statute and City resolution. Benefits are based on years of credited service; one year of credited service is equal to one year of full time employment. Funding contributions for both plans are determined annually on an actuarial basis as of June 30 by CalPERS; the City must contribute these amounts. Actuarially required contributions for fiscal years 2002, 2001 and 2000 were \$4,091,879, \$4,024,651 and \$4,725,535, respectively.

LIMITATIONS ON TAX REVENUES

There are a number of provisions in the State Constitution that limit the ability of the City to raise and expend tax revenues.

Property Tax Rate Limitations - Article XIII A

On June 6, 1978, California voters approved Proposition 13 ("Proposition 13"), which added Article XIII A to the State Constitution ("Article XIII A"). Article XIII A limits the amount of any ad valorem tax on real property to 1% of the full cash value thereof, except that additional ad valorem taxes may be levied to pay debt service on (i) indebtedness approved by the voters prior to July 1, 1978, (ii) (as a result of an amendment to Article XIII A approved by State voters on June 3, 1986) on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-third of the voters on such indebtedness, and (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or

the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition. Article XIII A defines full cash value to mean “the county assessor’s valuation of real property as shown on the 1975-76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment.” This full cash value may be increased at a rate not to exceed two percent per year to account for inflation.

Article XIII A has subsequently been amended to permit reduction of the “full cash value” base in the event of declining property values caused by damage, destruction or other factors, to provide that there would be no increase in the “full cash value” base in the event of reconstruction of property damaged or destroyed in a disaster and in other minor or technical ways.

Pending Litigation Regarding 2% Limitation. In a Minute Order issued on November 2, 2001 in *County of Orange v. Orange County Assessment Appeals Board No. 3*, case no. 00CC03385, the Orange County Superior Court held that where a home’s taxable value did not increase for two years, due to a flat real estate market, the Orange County assessor violated the two percent inflation adjustment provision of Article XIII A, when the assessor tried to “recapture” the tax value of the property by increasing its assessed value by 4% in a single year. The assessors in most California counties, including the County, use a similar methodology in raising the taxable values of property beyond 2% in a single year. The State Board of Equalization has approved this methodology for increasing assessed values.

On December 27, 2001 the Orange County Superior Court issued an order declaring the practice of “recapturing” to be unconstitutional. That order only applies to one property in Seal Beach. A second issue of “class action” was requested to be reviewed by the court and on December 12, 2002, the Superior Court certified class action status for this case, which could have the effect of extending this ruling to other similar cases. A third issue addressed by the court is related to notification to the taxpayers by the Tax Collector. On January 20, 2003, the Superior Court granted the motion for the Tax Collector to give some type of notice to taxpayers. The court put on hold this order pending final appellate review and a ruling on the “recapture” issue. The court entered a Final Judgment on April 18, 2003 and the case is now released from the local court. In 2002 two local courts (Los Angeles and San Diego) ruled differently on the “recapture” issue. Therefore, the issues of uniformity and equal protection for each taxpayer statewide must be addressed. When local courts differ, the subject matter is often subject to a uniformity review. Orange County, the Orange County Tax Collector and the Orange County Assessor have indicated they plan to appeal the Superior Court ruling to State appellate courts. This appeal process can take 1-2 years to complete.

At this time, this case applies only to the Orange County assessor, but if appealed and upheld on appeal, the ruling could become binding on county assessors statewide. The City is unable to predict the effect on assessed values in the City if the ruling described above is ultimately determined to have applicability to property within the City.

Legislation Implementing Article XIII A. Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The one percent property tax is automatically levied by the county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1989.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the two percent annual adjustment are allocated

among the various jurisdictions in the “taxing area” based upon their respective “situs.” Any such allocation made to a local agency continues as part of its allocation in future years.

Beginning in the 1981-82 fiscal year, assessors in the State no longer record property values on tax rolls at the assessed value of 25% of market value which was expressed as \$4 per \$100 assessed value. All taxable property is now shown at full market value on the tax rolls. Consequently, the tax rate is expressed as \$1 per \$100 of taxable value. All taxable property value included in this Official Statement is shown at 100% of market value (unless noted differently) and all tax rates reflect the \$1 per \$100 of taxable value.

Appropriation Limitation - Article XIII B

On November 6, 1979, the voters of the State approved Proposition 4, known as the Gann Initiative, which added Article XIII B to the State Constitution. On June 5, 1990, the voters approved Proposition 111, which amended Article XIII B in certain respects. Under Article XIII B, as amended, state and local government entities each have an annual “appropriations limit” which limits the ability to spend certain monies which are called “appropriations subject to limitation” (consisting of most tax revenues and certain state subventions, together called “proceeds of taxes,” and certain other funds) in an amount higher than the “appropriations limit.” Article XIII B does not affect the appropriation of monies which are excluded from the definition of “appropriations limit,” including debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by two thirds of the voters. The “appropriations limit” is adjusted annually for changes in the cost of living and in population, for transfers in the financial responsibility for providing services, and in the case of certain declared emergencies. If a City receives any proceeds of taxes in excess of its appropriations limit, it may, by resolution of the City’s governing board, increase its appropriations limit to equal that amount (provided that the State has excess appropriations limit of its own in that fiscal year).

California Constitution Article XIII C and Article XIII D (Proposition 218)

On November 5, 1996, the voters of the State approved Proposition 218, the so-called “Right to Vote on Taxes Act.” Proposition 218 added to the State Constitution Articles XIII C and XIII D, which contain a number of provisions affecting the ability of local agencies, including cities, to levy and collect both existing and future taxes, assessments, fees and charges. Among other things, Article XIII C establishes that every tax is either a “general tax” (imposed for general governmental purposes) or a “special tax” (imposed for specific purposes); prohibits special purpose government agencies such as cities from levying general taxes; and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two thirds vote. Article XIII C also provides that no tax may be assessed on property other than ad valorem property taxes imposed in accordance with Articles XIII and XIII A of the California Constitution and special taxes approved by a two-thirds vote under Article XIII A, Section 4.

Article XIII C also provides that the initiative power shall not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. The State Constitution and the laws of the State impose a mandatory, statutory duty on the County Treasurer to levy a property tax sufficient to pay debt service on any Certificates coming due in each year. The initiative power cannot be used to reduce or repeal the Authority and obligation to levy such taxes or to otherwise interfere with performance of the mandatory, statutory duty of the City and the County with respect to such taxes which are pledged as security for payment of the Lease Payments. Legislation adopted in 1997 provides that Article XIII C shall not be construed to mean that any owner or beneficial owner of a municipal security assumes the risk of or

consents to any initiative measure which would constitute an impairment of contractual rights under the contracts clause of the U.S. Constitution.

Article XIID deals with assessments and property-related fees and charges. Article XIID explicitly provides that nothing in Article XIIC or XIID shall be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development; however it is not clear whether the initiative power is therefore unavailable to repeal or reduce developer and mitigation fees imposed by the City. No developer fees imposed by the City are pledged or expected to be used to pay the Lease Payments.

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

Proposition 62

On November 4, 1986, California voters adopted Proposition 62, a statutory initiative which amended the California Government Code by the addition of Sections 53720-53730. Proposition 62 requires that (i) any local tax for general governmental purposes (a “general tax”) must be approved by a majority vote of the electorate; (ii) any local tax for specific purposes (a “special tax”) must be approved by a two-thirds vote of the electorate; (iii) any general tax must be proposed for a vote by two-thirds of the legislative body; and (iv) proceeds of any tax imposed in violation of the vote requirements must be deducted from the local agency’s property tax allocation. Provisions applying Proposition 62 retroactively from its effective date to 1985 are unlikely to be of any continuing importance; certain other restrictions were already contained in the Constitution. The requirements of Proposition 62 have generally been superseded by the enactment of Article XIIC of the Constitution (Proposition 218) in 1996.

Most of the provisions of Proposition 62 were affirmed by the 1995 California Supreme Court decision in *Santa Clara County Local Transportation Authority v. Guardino*, which invalidated a special sales tax for transportation purposes because fewer than two-thirds of the voters voting on the measure had approved the tax. By its terms, Proposition 62 applies to cities, but because the City does not receive any material amount of tax revenues from any tax levied in contradiction to Proposition 62, the City has not experienced nor does it expect to experience any substantive adverse financial impact as a result of the passage of this initiative or the Santa Clara decision.

Future Initiatives

Article XIII A, Article XIII B, Proposition 218 and Proposition 62 were each adopted as measures that qualified for the ballot under the State’s initiative process. From time to time other initiative measures could be adopted, further affecting the City’s finances or the City’s ability to raise or expend revenues.

State Budgets

The State of California (the “State”) requires that from all State revenues there first shall be set apart the moneys to be applied for support of the public school system and public institutions of higher education. California school districts receive a significant portion of their funding from State appropriations.

The following information concerning the State’s budgets for the current and most recent preceding years has been compiled from publicly-available information provided by the State. Neither the

City nor the Underwriter is responsible for the information relating to the State's budgets provided in this section. Further information is available from the Public Finance Division of the State Treasurer's Office.

The Budget Process. The State's fiscal year begins on July 1 and ends on June 30. The annual budget is proposed by the Governor by January 10 of each year for the next fiscal year (the "Governor's Budget"). Under State law, the annual proposed Governor's Budget cannot provide for projected expenditures in excess of projected revenues and balances available from prior fiscal years. Following the submission of the Governor's Budget, the Legislature takes up the proposal.

Under the State Constitution, money may be drawn from the Treasury only through an appropriation made by law. The primary source of the annual expenditure authorizations is the Budget Act as approved by the Legislature and signed by the Governor. The Budget Act must be approved by a two-thirds majority vote of each House of the Legislature. The Governor may reduce or eliminate specific line items in the Budget Act or any other appropriations bill without vetoing the entire bill. Such individual line-item vetoes are subject to override by a two-thirds majority vote of each House of the Legislature.

Appropriations also may be included in legislation other than the Budget Act. Bills containing appropriations (except for K-14 education) must be approved by a two-thirds majority vote in each House of the Legislature and be signed by the Governor. Bills containing K-14 education appropriations only require a simple majority vote. Continuing appropriations, available without regard to fiscal year, may also be provided by statute or the State Constitution.

Funds necessary to meet an appropriation need not be in the State Treasury at the time such appropriation is enacted; revenues may be appropriated in anticipation of their receipt.

Recent State Budgets. Certain information about the State budgeting process and the State Budget is available through several State of California sources. A convenient source of information is the State's website, where recent official statements for State bonds are posted. The references to internet websites shown below are shown for reference and convenience only; the information contained within the websites has not been reviewed by the City and is not incorporated herein by reference.

The California State Treasurer's Internet home page at www.treasurer.ca.gov, under the heading "Bond Information," posts various State of California Official Statements, many of which contain a summary of the current State Budget, past State Budgets, and the impact of those budgets on school districts in the State.

The California State Treasurer's Internet home page at www.treasurer.ca.gov, under the heading "Financial Information," posts the State's audited financial statements. In addition, the "Financial Information" section includes the State's Rule 15c2-12 filings for State bond issues. The "Financial Information" section also includes the "Overview of the State Economy and Government, State Finances, State Indebtedness, Litigation" from the State's most current Official Statement, which discusses the State budget and its impact on school districts.

The California Department of Finance's Internet home page at www.dof.ca.gov, under the heading "California Budget," includes the text of proposed and adopted State Budgets.

The State Legislative Analyst's Office prepares analyses of the proposed and adopted State budgets. The analyses are accessible on the Legislative Analyst's Internet home page at www.lao.ca.gov under the heading "Products."

Recent Proposed State Budget. The State of California faces severe budget issues for fiscal year 2003-2004 and possibly beyond. Governor Davis introduced the proposed 2003-04 State Budget in January 2003 and updated the proposal in May 2003. The proposed 2003-04 State Budget addresses a deficit estimated by the Governor to be \$34.6 billion and possibly more by the end of 2003-04 absent any corrective action by the Legislature, a much larger budget shortfall than was estimated by the Legislative Analyst in November 2002. The proposed 2003-04 State Budget is subject to revision by the Legislature and the Governor prior to mandated approval in June 2003. The City cannot predict what impact any budget proposals will have on the financial condition of the City, although given the magnitude of the projected deficit it is likely that cities in California will be negatively impacted to some extent.

RISK FACTORS

The following factors, along with all other information in this Official Statement, should be considered by potential investors in evaluating the Certificates.

No Pledge of Taxes

The obligation of the City to pay the Lease Payments and Additional Payments does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. The obligation of the City to pay Lease Payments and Additional Payments does not constitute a debt or indebtedness of the Authority, the City, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

Although the Lease Agreement does not create a pledge, lien or encumbrance upon the funds of the City, the City is obligated under the Lease Agreement to pay Lease Payments and Additional Payments from any source of legally available funds (subject to certain exceptions) and the City has covenanted in the Lease Agreement that, for as long as the Property is available for its use and possession, it will make the necessary annual appropriations within its budget for all Lease Payments and Additional Payments. The City may be liable in the future on other obligations payable from general fund revenues, which could include tax and revenue anticipation notes, pension obligation bonds and various certificates of participation issued by the City. In the event of a shortfall in revenues, a court might require that the City first set aside revenues to pay the tax and revenue anticipation notes and the pension obligation bonds. See "CITY FINANCES – Outstanding General Fund Debt and Lease Obligations."

Certain taxes, assessments, fees and charges presently imposed by the City could be subject to the voter approval requirements of Article XIIC and Article XIID of the State Constitution. Based upon the outcome of an election by the voters, such fees, charges, assessments and taxes might no longer be permitted to be imposed, or may be reduced or eliminated and new taxes, assessments fees and charges may not be approved. The City has assessed the potential impact on its financial condition of the provisions of Article XIIC and Article XIID of the State Constitution respecting the imposition and increase of taxes, fees, charges and assessments and does not believe that an election by the voters to reduce or eliminate the imposition of certain existing fees, charges, assessments and taxes would substantially affect its financial condition. However, the City believes that in the event that the initiative power was exercised so that all local taxes, assessments, fees and charges which may be subject to the provisions of Article XIIC and Article XIID of the State Constitution are eliminated or substantially reduced, the financial condition of the City, including its General Fund, could be materially adversely affected. Although the City does not currently anticipate that the provisions of Article XIIC and Article XIID of the State Constitution would adversely

affect its ability to pay the principal of and interest with respect to the Certificates as and when due and its other obligations payable from the General Fund, no assurance can be given regarding the ultimate interpretation or effect of Article XIII C and Article XIII D of the State Constitution on the City's finances.

Additional Obligations of the City

The City is permitted to enter into other obligations which constitute additional charges against its revenues without the consent of Owners of the Certificates. To the extent that additional obligations are incurred by the City, the funds available to pay Lease Payments may be decreased.

The Lease Payments and other payments due under the Lease Agreement (including payment of costs of repair and maintenance of the Leased Premises, taxes and other governmental charges levied against the Leased Premises) are payable from funds lawfully available to the City. While the City has covenanted in the Lease Agreement to budget for and appropriate all Lease Payments and Additional Payment, in the event that the amounts which the City is obligated to pay in a fiscal year were to exceed the City's revenues for such year, the City might choose to make some payments rather than making other payments, including Lease Payments and Additional Payments, based on the perceived needs of the City. The same result could occur if, because of California Constitutional limits on expenditures, the City were not permitted to appropriate and spend all of its available revenues or were required to expend available revenues to preserve the public health, safety and welfare.

Default

Whenever any event of default referred to in the Lease Agreement happens and continues, the Trustee, as the assignee of the Authority, is authorized under the terms of the Lease Agreement to exercise any and all remedies available under law or granted under the Lease Agreement. **There is no right under any circumstances to accelerate the Lease Payments or otherwise declare any Lease Payments not then due or past due to be immediately due and payable. Neither the Authority nor the Trustee has any right to re-enter or re-let the Leased Premises except following the occurrence and during the continuation of an event of default under the Lease Agreement.** Following an event of default, the Authority may elect either to terminate the Lease Agreement and seek to collect damages from the City or to maintain the Lease Agreement in effect and seek to collect the Lease Payments as they become due. The Lease Agreement further provides that so long as an event of default exists under the Lease Agreement, the Authority, or its assignee, may re-enter the Leased Premises for the purpose of taking possession of any portion of the Leased Premises and to re-let the Leased Premises and, in addition, at its option, with or without such entry to terminate the Lease Agreement as described therein. See "APPENDIX D –Summary Of Principal Legal Documents – The Lease Agreement."

No assurance can be given that the Trustee will be able to re-let Leased Premises so as to provide rental income sufficient to pay principal and interest evidenced by the Certificates in a timely manner or that such re-letting will not adversely affect the exclusion of interest with respect thereto from gross income for federal or State income tax purposes. Furthermore, it is not certain whether a court would permit the exercise of the remedies of repossession and re-letting with respect to the Leased Premises.

In the event of a default, there is no remedy of acceleration of the total Lease Payments due over the term of the Lease Agreement, and the Trustee is not empowered to sell the Leased Premises and use the proceeds of such sale to prepay the Certificates or pay debt service with respect thereto. The City will be liable only for Lease Payments on an annual basis and, in the

event of a default, the Trustee would be required to seek a separate judgment each year for that year's defaulted Lease Payments. Any such suit for money damages would be subject to limitations on legal remedies against municipalities in California, including a limitation on enforcement of judgments against funds of a fiscal year other than the fiscal year in which the Lease Payments were due and against funds needed to serve the public welfare and interest.

Abatement

Under certain circumstances related to damage, destruction, condemnation or title defects which cause a substantial interference with the use and occupancy of the Leased Premises, the City's obligation to make Lease Payments will be subject to full or partial abatement and could result in the Trustee having inadequate funds to pay the principal and interest with respect to the Certificates as and when due. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES - Abatement" and "APPENDIX D - Summary Of Principal Legal Documents - The Lease Agreement."

Earthquakes

Several active fault zones lie within Northern California. The Hayward Fault, the San Andreas Fault, and other related faults in the region are potentially active within a 10 to 15 mile radius of the City. Seismic activity also can occur on previously undetected faults. In the event of a significant earthquake, substantial damage could occur to the Leased Premises. Such damage could result in an abatement of Lease Payments as described above under "RISK FACTORS - Abatement Risk."

The City is required under the Lease to procure and maintain earthquake insurance on the Leased Premises only if and to the extent available at reasonable cost from reputable insurers. Such earthquake insurance may be subject to a deductible clause of not to exceed 10% of the replacement cost of the insured property for any one loss to the insured improvements. **The City has determined that earthquake insurance on the Leased Premises is presently not available at reasonable cost from reputable insurers. Therefore, upon the initial execution and delivery of the Certificates the City will not have earthquake insurance on the Leased Premises or any portion thereof. There can be no assurance that such earthquake insurance will become available at reasonable cost in the future.**

Limitations on Remedies; Bankruptcy

The rights of the owners of the Certificates are subject to the limitations on legal remedies against municipalities in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. Additionally, enforceability of the rights and remedies of the owners of the Certificates, and enforcement of the City's obligations under the Lease Agreement, may become subject to the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor's rights generally, now or hereafter in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose and the limitations on remedies against cities in the State. Bankruptcy proceedings under Chapter 9 of the Bankruptcy Code (Title 11, United States Code), which governs the bankruptcy proceedings for public agencies such as the City, or the exercise of powers by the federal or State government, if initiated, could subject the owners of the Certificates to judicial discretion and interpretation of their rights in bankruptcy or

otherwise, and consequently may entail risks of delay, limitation, or modification of their rights. See "RISK FACTORS – Default."

THE AUTHORITY

The Roseville Finance Authority was formed on July 18, 1989 pursuant to a Joint Exercise of Powers Agreement dated as of July 1, 1989 between the City and the Redevelopment Agency of the City of Roseville. The Authority was formed pursuant to the provisions of Articles 1 through 3, Chapter 5, Division 7, Title 1 of the California Government Code for the purpose, among others, of assisting the City in the acquisition, construction and financing of public improvements which are of public benefit to the City. The Authority is a separate entity from the City and the Redevelopment Agency and constitutes a public instrumentality of the City. The City Council acts as the Board of the Authority. The Mayor and the Vice Mayor of the City serve as the Chairman and Vice-Chairman, respectively, the City Manager serves as the Executive Director, the City Clerk serves as the Secretary, and the City's Finance Director serves as the Treasurer of the Authority.

The Authority has no financial liability to the owners of the Certificates with respect to the payment of Lease Payments or any other amounts by the City or with respect to the performance by the City of the other agreements and covenants it is required to perform.

TAX MATTERS

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel, subject, however, to the qualifications set forth below, under existing law, the interest evidenced and represented by the Certificates 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, although, for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings, and the Lease Agreement is a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986 (the "Tax Code") such that, in the case of certain financial institutions (within the meaning of section 265(b)(5) of the Tax Code), a deduction for federal income tax purposes is allowed for 80 percent of that portion of such financial institution's interest expense allocable to interest payable with respect to the Certificates.

The opinions set forth in the preceding sentence are subject to the condition that the City comply with all requirements of the Tax Code that must be satisfied subsequent to the execution and delivery of the Certificates in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. 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 execution and delivery of the Certificates.

If the initial offering price to the public (excluding bond houses and brokers) at which a Certificate 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 Certificate 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 is disregarded.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Certificate on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Certificates to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of the Certificate. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Certificates who purchase the Certificates after the initial offering of a substantial amount of such maturity. Owners of such Certificates should consult their own tax advisors with respect to the tax consequences of ownership of Certificates with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such Certificates under federal individual and corporate alternative minimum taxes.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the Certificate (said term being the shorter of the Certificate's maturity date or its call date.) The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the Certificate for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Certificate is amortized each year over the term to maturity of the Certificate on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates.) Amortized premium is not deductible for federal income tax purposes. Owners of Premium Certificates, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Certificates.

In the further opinion of Special Counsel, the interest evidenced and represented by the Certificates is exempt from California personal income taxes.

Owners of the Certificates should also be aware that the ownership or disposition of, or the accrual or receipt of interest represented by the Certificates may have federal or state tax consequences other than as described above. Special Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Certificates other than as expressly described above.

The form of Special Counsel's Opinion with respect to the Certificates is attached hereto as APPENDIX E.

FINANCIAL STATEMENTS OF THE CITY

The audited financial statements (the "**Financial Statements**") of the City for the year ended June 30, 2002, included in Appendix B to this Official Statement, have been examined by Maze & Associates, Walnut Creek, California (the "**Auditors**"), to the extent and for the periods indicated in its report (the "**Report**"), which also appears in Appendix B hereto. The Financial Statements and the Report should be read in their entirety.

The audited financial statements of the City for prior years are on file for public inspection with the City Clerk. The City has not requested nor received the consent of the Auditor to the reproduction of its Report as an appendix to this Official Statement, and the

Auditor has not reviewed or expressed any opinion regarding any portion of this Official Statement other than the Financial Statements as stated in the Report.

PROFESSIONALS INVOLVED IN THE OFFERING

Certain legal matters incident to the authorization, sale, execution and delivery of the Certificates are subject to the approval of Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel and Disclosure Counsel. Certain legal matters will be passed upon for the City and the Authority by the City Attorney.

Compensation of Special Counsel and Disclosure Counsel is contingent upon the execution and delivery of the Certificates.

LITIGATION

To the best knowledge of the City there is no action, suit or proceeding known to be pending, or threatened, restraining or enjoining the execution or delivery of the Certificates, the Trust Agreement, the Site Lease, the Lease Agreement, the Assignment Agreement or any other document relating to the Certificates, or in any way contesting or affecting the validity of the foregoing.

There are a number of lawsuits and claims pending against the City. In the opinion of the City, such suits and claims as are presently pending will not have a material adverse affect on the ability of the City to make Lease Payments.

RATINGS

Standard & Poor's Ratings Service ("S&P") and Moody's Investors Service ("Moody's") have assigned the respective rating of "AAA" and "Aaa" to each series of the Certificates, with the understanding that, as to each respective series of the Certificates, upon delivery, a policy insuring the payment when due of principal and interest evidenced by each respective series of the Certificates will be issued by Ambac Assurance Corporation. Additionally, S&P has assigned an underlying rating of "A+" to each series of Certificates, and Moody's has assigned an underlying rating of "A2" to the 2003A Certificates and "A3" to the 2003B Certificates. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such rating should be obtained from the rating agency furnishing the same, at the following address: Standard & Poor's Ratings Service, 55 Water Street, New York, New York 10041 and Moody's Investors Service, 99 Church Street, New York, New York, 10007.

Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Certificates.

UNDERWRITING

The Certificates have been purchased by Stone & Youngberg LLC, as the Underwriter. Pursuant to a purchase agreement by and among the Underwriter, the City and the Authority

(the “**Purchase Agreement**”), the Underwriter has agreed to purchase the 2003A Certificates from the City at a purchase price of \$18,523,779.90 (equal to the principal amount of the 2003A Certificates, plus a net original issue premium of \$351,119.90 and less an Underwriters’ discount of \$102,340.00) and to purchase the 2003B Certificates from the City at a purchase price of \$8,318,586.05 (equal to the principal amount of the 2003B Certificates, plus a net original issue premium of \$135,442.05 and less an Underwriters’ discount of \$56,856.00). In addition, the Purchase Agreement provides that the Underwriter will purchase all of the Certificates if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Purchase Agreement, the approval of certain legal matters by counsel and certain other conditions.

CONTINUING DISCLOSURE

The City has covenanted for the benefit of Owners and Beneficial Owners of the Certificates to provide certain annual financial information and operating data relating to the City (the “**Annual Report**”) by not later than March 31 in each year commencing March 31, 2004, 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 depository, 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 depository, 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 Agreement.” A separate Continuing Disclosure Agreement will be executed for each series of the Certificates.

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 has never failed to comply in all material respects with any previous undertakings with regard to the Rule to provide annual reports or notices of material events.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The arithmetical accuracy of certain computations included in the schedules provided by the City relating to (a) computation of forecasted receipts of principal and interest on amounts deposited with the trustee for the 1993 Certificates and the forecasted payments of principal and interest to redeem the 1993 Certificates, and (b) computation of the yields on the 1993 Certificates will be examined by The Arbitrage Group, Tuscaloosa, Alabama (the "Verification Agent"). Such computations are based solely upon assumptions and information supplied by the City. The Verification Agent has restricted its procedures to examining the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information upon which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome.

EXECUTION

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

CITY OF ROSEVILLE

By: /s/ Russell Cochran Branson
Finance Director

APPENDIX A

DEMOGRAPHIC INFORMATION ABOUT THE CITY OF ROSEVILLE

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 85,800 at January 1, 2003, is the largest city in Placer County as well as the residential and industrial center of the County.

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

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

Overview of Southwestern Placer County

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

The incorporated portions of southwestern Placer County have historically served as bedroom communities of the metropolitan Sacramento area. However, in recent years, new employment opportunities have been created in the cities of Roseville and Rocklin, contributing to the rapid rate of growth in the southwestern Placer County area. As a result, these cities have now become more balanced relative to jobs and housing and less economically dependent on employment opportunities and services provided in adjacent Sacramento County.

State Highway 65 is another of the region's primary transportation corridors, and it merges with Interstate 80 at an interchange system located in Roseville. From the interchange, the highway extends north through the cities of Roseville and Rocklin to nearby Lincoln. Lincoln has been the focus of some new development in recent years, and residential and commercial development is underway or proposed for Lincoln and nearby project areas in the future. Within the 3,000-acre developed portion of the Sunset Industrial Area along State Highway 65 in the vicinity of Lincoln, Rocklin and Roseville, many major companies have developed plant facilities, including Formica Corporation, Reynolds Metals, Western Electric, Alcan Cable, Ace Hardware (distribution center), Herman Miller Furniture and Albertson's distribution center. The completion of State Highway 65 in the summer of 1987 created a bypass thoroughfare around "downtown" Roseville and has also enhanced this industrial location by providing better accessibility and identity to the area and improved linkage among the cities of Roseville, Rocklin and Lincoln.

The population of Placer County was reported to be approximately 275,600 in January 2003, which represents an increase of approximately 12% over that reported in the 2000 census. According to the California State Department of Finance, by 2005 the County's population is projected to grow to approximately 298,500. Roseville has an estimated population of 85,800 as of January 1, 2003. While Roseville and Rocklin have larger populations and have recently been the County's fastest growing cities, it is projected that Lincoln will surpass Rocklin as Placer County's fastest growing city, with a projected population of 15,000 by 2005.

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

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

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

The City of Lincoln, located approximately 10 miles north of Roseville, has also experienced new development and job growth during the past four years. This growth is largely attributable to Lincoln's proximity to several high-tech firms and the development and transportation opportunities offered by Lincoln Air Center, an established industrial park located adjacent to the city's municipally-owned airport. The park became the local home of Zytac Services in 1994, now known as Artesyn Solutions, Inc., and began producing power supplies and repairing computers for Hewlett-Packard's nearby operations in Roseville. Since

then, four similar firms have joined Artesyn in the Lincoln Air Center, including Express Point Technology, Comtek Computer Systems, ESL Technologies and Exel Logistics. Caliber Logistics, Inc., a contract warehouse and distribution firm for Hewlett-Packard, recently completed a 400,000 square-foot facility.

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

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

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

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

In summary, southwestern Placer County has experienced steady population growth in recent years and has outperformed the regional economy in general. The immediate area is regarded as a desirable residential location, with good proximity to major transportation corridors, growing employment centers, and a stable base of supporting commercial services.

City 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 growth in population is shown below.

CITY OF ROSEVILLE Population 1999 through 2003

<u>Year</u> <u>(As of January 1)</u>	<u>City of</u> <u>Roseville</u>	<u>County</u> <u>of Placer</u>	<u>State of</u> <u>California</u>
1999	76,700	238,300	33,140,000
2000	79,300	246,100	33,573,000
2001	82,100	254,900	34,385,000
2002	85,500	264,900	35,037,000
2003	85,800	275,600	35,591,000

Source: California State Department of Finance.

Employment and Industry

Placer County, along with El Dorado and Sacramento Counties, comprise the Sacramento Metropolitan Statistical Area (the "Sacramento MSA"). The unemployment rate in the Sacramento MSA was 5.3 percent in November 2002, down from a revised 5.4 percent in October 2002, but above the year estimate of 4.3 percent. This compares with an unadjusted unemployment rate of 6.3 percent for California and 5.7 percent for the nation during the same period. The unemployment rate was 4.7 percent in El Dorado County, 4.6 percent in Placer County and 5.5 percent in Sacramento County.

The following table summarizes the labor force, employment and unemployment figures, as well as the distribution of employment by industry in the Sacramento Metropolitan MSA labor market.

**Sacramento Metropolitan Statistical Area
Labor Force, Employment and Unemployment
Annual Average for Calendar Years 1998 through 2002**

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Civilian Labor Force ⁽¹⁾	760,100	786,900	813,000	829,800	864,300
Employment	723,200	755,300	780,200	796,200	819,000
Unemployment	36,900	31,600	32,800	33,600	45,300
Unemployment Rate	4.9%	4.0%	4.0%	4.0%	5.2%
<u>Wage and Salary Employment:</u> ⁽²⁾					
Agriculture	3,700	3,900	4,000	4,000	3,400
Natural Resources and Mining	500	500	600	600	600
Construction	37,300	43,900	48,300	54,800	56,100
Manufacturing	43,900	44,600	44,900	44,400	40,800
Wholesale Trade	18,600	19,700	20,200	21,400	21,300
Retail Trade	73,900	77,400	81,000	82,900	84,400
Trans., Warehousing, Utilities	14,600	15,800	16,100	15,600	15,000
Information	16,500	17,500	17,400	21,300	21,900
Financial and Insurance	37,400	37,900	36,600	37,000	39,100
Real Estate, Rental & Leasing	11,600	12,100	12,300	12,300	12,200
Professional and Business Services	82,900	90,000	96,200	90,500	88,700
Educational and Health Services	60,200	62,200	65,300	70,300	72,100
Leisure and Hospitality	59,400	61,200	64,500	66,300	69,200
Other Services	23,500	24,400	25,000	25,900	26,500
Federal Government	16,900	14,700	12,900	10,400	10,400
State Government	76,800	80,200	82,000	86,200	87,600
Local Government	<u>78,100</u>	<u>83,700</u>	<u>86,600</u>	<u>91,200</u>	<u>97,900</u>
Total All Industries	655,800	689,800	713,800	735,200	747,100

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

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

Source: State of California Employment Development Department.

The unemployment rate in the Sacramento MSA was 5.6 percent in January 2003, up from a revised 5.2 percent in December 2002, and above the year prior estimate of 5.3 percent. This compares with an unadjusted unemployment rate of 7.0 percent for California and 6.5 percent for the nation during the same period. The unemployment rate was 6.0 percent in El Dorado County, 4.9 percent in Placer County and 5.7 percent in Sacramento County.

The total number of wage and salary jobs in the Sacramento MSA declined from 753,400 in December 2002 to 743,400 in January 2003. The decrease of 10,000 jobs was largely seasonal, with the largest decline of 4,900 jobs occurring in trade, transportation and utilities, mostly due to post holiday cutbacks in retail trade. Professional and business services jobs were down by 2,500, construction by 2,300 and government by 1,600 where local government education cutbacks accounted for most of the loss during the winter break. Scattered cutbacks in manufacturing and other services accounted for declines of 600 and 500 jobs, respectively, while farm jobs were down by 200. Slightly offsetting those decreases, leisure and hospitality experienced a gain of 1,400 jobs, primarily due to seasonal expansion at Sierra Nevada ski areas. Educational and health services was up by 1,000 jobs, while information and financial activities employment increased by 100 jobs each. No change was observed in natural resources and mining.

Between January 2002 and January 2003, the total job count was up by 11,600 jobs or a growth rate of 1.6 percent. Government accounted for the largest gain of 5,300 jobs, fueled by growth in local government education. Financial activities employment increased by 3,200 jobs, leisure and hospitality by 2,400 jobs, and construction by 2,300 jobs, while trade, transportation, and utilities gained 2,000 jobs, mostly in retail trade. Professional and business services expanded by 1,400 jobs, educational and health services increased by 900 jobs, while employment in natural resources and mining and other services were up modestly by 100 jobs each. Somewhat offsetting those gains, manufacturing was down by 3,500 jobs, due mostly to cutbacks in technology firms. Likewise, the information sector was down by 2,000 jobs, primarily due to cutbacks in telecommunications, while farm employment was down by 600 jobs compared with last year.

The table below lists the ten largest manufacturing and non-manufacturing employers within the County as of January 2002.

**PLACER COUNTY
Largest Employers**

<u>Employer Name</u>	<u>Location</u>	<u>Industry</u>
Alpine Meadows Ski Resort	Olympic Valley	Hotels & Motels
Artesyn Solutions Inc	Lincoln	Computer & Data Processing Services
City of Roseville	Roseville	Public Administration (Government)
Coherent Inc	Auburn	Medical Instruments & Supplies
County of Placer	Multiple	Public Administration (Government)
Hewlett-Packard	Roseville	Computer & Office Equipment
NEC Electronics	Roseville	Electronic Components & Accessories
Oracle Corp	Rocklin	Computer & Data Processing Services
Pride Industries	Roseville	Individual & Family Services
Resort at Squaw Creek	Olympic Valley	Hotels & Motels
Sierra Community College	Rocklin	Colleges & Universities
Squaw Valley USA Ski Corp	Olympic Valley	Hotels & Motels
Surewest Communications	Roseville	Telephone Communications
Sutter Hospitals	Roseville	Hospitals
Union Pacific Railroad Co	Roseville	Railroads

Source: State of California Employment Development Department.

Construction

The City issued building permits valued in excess of \$529.1 million in 2001. Of this total dollar volume, approximately 67% consisted of new residential construction. The following tables show residential and non-residential building permits for calendar years 1997 through 2001 for the City and the County.

CITY OF ROSEVILLE
Total Building Permit Valuations
(\$'s in thousands)

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
<u>Permit Valuation</u>					
New Single-family	\$265,817.8	\$342,595.8	\$231,549.9	\$313,769.6	\$356,214.1
New Multi-family	19,284.7	30,707.4	38,746.2	83,145.1	61,930.6
Res. Alterations/Additions	<u>4,216.8</u>	<u>4,054.3</u>	<u>1,584.3</u>	<u>1,593.0</u>	<u>2,455.9</u>
Total Residential	289,319.2	377,357.4	271,880.4	398,507.7	420,600.6
New Commercial	35,691.4	81,526.1	95,294.4	43,818.8	50,213.0
New Industrial	15,045.3	5,418.9	64,940.3	15,237.0	6,214.0
New Other	6,506.2	8,125.7	13,989.1	17,908.4	11,554.4
Com. Alterations/Additions	<u>19,070.0</u>	<u>29,883.3</u>	<u>36,642.2</u>	<u>65,857.6</u>	<u>40,608.4</u>
Total Nonresidential	76,312.8	124,954.0	210,866.0	142,821.7	108,589.8
<u>New Dwelling Units</u>					
Single Family	1,688	2,034	1,204	1,393	1,456
Multiple Family	<u>330</u>	<u>440</u>	<u>609</u>	<u>1,116</u>	<u>762</u>
TOTAL	2,018	2,474	1,813	2,509	2,218

⁽¹⁾ Numbers may not add due to rounding.

Source: Construction Industry Research Board, *Building Permit Summary*.

PLACER COUNTY
Total Building Permit Valuations
(\$'s in thousands)

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
<u>Permit Valuation</u>					
New Single-family	\$475,135.1	\$646,989.6	\$714,476.2	\$943,358.1	\$947,283.1
New Multi-family	51,267.7	83,782.9	70,047.1	119,207.0	101,162.3
Res. Alterations/Additions	<u>23,450.4</u>	<u>26,159.1</u>	<u>30,401.9</u>	<u>32,390.0</u>	<u>38,811.9</u>
Total Residential	549,853.2	756,931.6	814,925.2	1,094,955.1	1,087,257.3
New Commercial	63,835.3	108,953.5	115,942.6	74,512.4	105,418.9
New Industrial	26,735.3	14,611.4	70,185.5	25,143.5	9,917.4
New Other	30,681.4	46,370.4	39,050.2	48,098.6	38,521.1
Com. Alterations/Additions	<u>37,647.0</u>	<u>43,924.2</u>	<u>53,655.9</u>	<u>87,117.0</u>	<u>65,854.6</u>
Total Nonresidential	158,898.9	213,859.5	278,834.2	234,871.5	219,712.0
<u>New Dwelling Units</u>					
Single Family	3,011	3,878	3,875	4,745	4,717
Multiple Family	<u>826</u>	<u>1,328</u>	<u>1,021</u>	<u>1,634</u>	<u>1,257</u>
TOTAL	3,837	5,206	4,896	6,379	5,974

⁽¹⁾ Numbers may not add due to rounding.

Source: Construction Industry Research Board, *Building Permit Summary*.

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

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

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

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

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

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

Commercial Activity

During first two quarters of calendar year 2002, reported total taxable sales in the City were reported to be \$1,387,604,000 a 7.8% increase over total taxable transactions of \$1,294,700,000 that were reported during the first two quarters of calendar year 2001. Summaries of taxable transactions in the City are shown below.

CITY OF ROSEVILLE
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
1997	725	\$1,180,536	2,356	\$1,476,617
1998	756	1,315,488	2,423	1,659,616
1999	874	1,608,513	2,482	2,012,940
2000	980	2,022,864	2,637	2,395,294
2001	1,232	2,352,220	2,967	2,756,587

Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

During first two quarters of calendar year 2002, reported total taxable sales in the County were reported to be \$2,594,036,000 a 4% increase over total taxable transactions of \$2,493,094,000 that were reported during the first two quarters of calendar year 2001. Summaries of taxable transactions in the County are shown below.

The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions within the County is presented in the following table. Taxable sales reported in the County have been steadily increasing over the past five years.

PLACER COUNTY
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
1997	2,465	\$2,122,328	8,172	\$3,066,395
1998	2,484	2,345,526	8,146	3,405,178
1999	2,782	2,807,480	8,166	4,047,530
2000	2,993	3,384,347	8,415	4,741,567
2001	3,385	3,793,236	8,885	5,201,929

Source: State Board of Equalization.

City Services

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

APPENDIX B

**AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

APPENDIX C

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following is a brief summary of certain provisions of the Site Lease, the Lease Agreement, the Assignment Agreement and the Trust Agreement relating to the Certificates. Although the 2003A Certificates and 2003B Certificates are governed by separate documents, a single summary is presented in that the documents for each series of Certificates are similar. Such summary is not intended to be definitive, and reference is made to the complete documents for the complete terms thereof.

“Additional Payments” means the payments required to be made pursuant to and as described in the Lease.

“Assignment Agreement” means the Assignment Agreement, dated as of July 1, 2003, by and between the Authority and the Trustee, together with any duly authorized and executed amendments thereto.

“Authority” means the Roseville Finance Authority, a joint exercise of powers authority organized and existing under the laws of the State.

“Authorized Denomination” means the amount of \$5,000 or any integral multiple thereof.

“Business Day” means a day other than a Saturday, a Sunday or a day on which banks in the city in which the principal office of the Trustee is located are authorized or obligated by law or executive order to close.

“Certificates” means, as to the 2003A Certificates, the \$18,275,000 aggregate principal amount of Certificates of Participation, Series 2003A (1993 Public Facilities Refunding), and as to the 2003B Certificates, the \$8,240,000 aggregate principal amount of Certificates of Participation, Series 2003B (1993 Golf Course Refunding) to be executed and delivered pursuant to each respective Trust Agreement.

“City Representative” means the Mayor, City Manager, the Assistant City Manager, Finance Director, or any other person authorized by resolution of the City Council to act on behalf of the City under or with respect to the Trust Agreement, the Lease and the Site Lease.

“Closing Date” means the date upon which there is physical delivery of the Certificates in exchange for the amount representing the purchase price of the Certificates by the Original Purchaser.

“Continuing Disclosure Certificate” shall mean that certain Continuing Disclosure Certificate executed by the City and dated the date of execution and delivery of the Certificates, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the Authority or the City and related to the authorization, execution, sale and delivery of the Certificates, including but not limited to costs of preparation and reproduction of documents, printing expenses, filing and recording fees, initial fees and charges of the Trustee, legal fees and charges, fees and disbursements of the Trustee, consultants and professionals, rating agency fees, title insurance premiums, Certificate insurance premiums, fees

and charges for preparation, execution and safekeeping of the Certificates and any other cost, charge or fee in connection with the original execution and delivery of the Certificates.

“Costs of Issuance Fund” means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

“Event of Default” means an event of default under the Lease, as described herein.

“Fair Market Value” means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Tax Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Tax Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Tax Code, (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 City 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 direct general obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America.

“Fiscal Year” means the twelve-month period beginning on July 1 of each year and ending on the next succeeding June 30, both dates inclusive, or any other twelve-month period hereafter selected and designated as the official fiscal year period of 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; Mergent/FIS, Inc. 5250 77 Center Drive, Suite 150, Charlotte, North Carolina 28217, Attn: Called Bond Dept.; Kenny S&P, 55 Water Street, 45th Floor, New York, New York 10041, Attention: Notification Department; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other services providing information with respect to called bonds as the City may designate in a Written Request of the City delivered to the Trustee.

“Insurance and Condemnation Fund” means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

“Insurance Policy” means the financial guaranty insurance policy issued by the Insurer insuring the payment when due of the principal and interest with respect to the Certificates as provided therein.

“Insurer” means Ambac Assurance Corporation, a Wisconsin-domiciled stock insurance company, and, its successors and assigns, as issuer of the Insurance Policy.

“Interest Payment Date” means with respect to any Certificate, each February 1 and August 1, commencing February 1, 2004, to and including the date of maturity or prepayment of such Certificate.

“Law” means the Community Redevelopment Law of the State of California, constituting Part 1 of Division 24 of the Health and Safety Code of the State of California and the acts amendatory thereof and in supplement thereto.

“Lease” or **“Lease Agreement”** means the Lease Agreement, dated as of July 1, 2003, by and between the Authority, as sublessor, and the City, as sublessee, together with any duly authorized and executed amendments thereto.

“Lease Payment Date” means the fifteenth (15th) calendar day of the month preceding each Interest Payment Date.

“Lease Payment Fund” means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

“Lease Payments” means all payments required to be paid by the City pursuant to the Lease, including any prepayment thereof pursuant to of the Lease.

“Leased Premises” means the land and facilities all as more particularly described in Exhibit A attached to the Lease, together with all buildings and facilities at any time situated thereon. From and after the date of any substitution pursuant to the Lease, the term “Leased Premises” shall mean all buildings, facilities, improvements and equipment which are substituted pursuant to the Lease.

“Moody’s” means Moody’s Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, and, if such corporation shall for any reason no longer perform the function of a securities rating agency, “Moody’s” shall be deemed to refer to any other nationally recognized rating agency designated by the City with the approval of the City.

“Net Proceeds” means any insurance proceeds or condemnation award, paid with respect to the Leased Premises, to the extent remaining after payment therefrom of all expenses incurred in the collection thereof.

“1993 Certificates” means the City of Roseville Certificates of Participation (1993 Seismic Retrofit Financing Project) executed and delivered pursuant to the 1993 Trust Agreement.

“1993 Trust Agreement” means the Trust Agreement dated as of October 1, 1993 among the City, the Authority and Bank of America National Bank and Trust Association, as succeeded by the 1993 Trustee.

“1993 Trustee” means BNY Western Trust Company, as successor to U.S. Bank Trust National Association, as successor to Bank of America National Trust and Savings Association.

“Original Purchaser” means Stone & Youngberg LLC, as the first purchaser of the Certificates.

“Outstanding,” when used with reference to the Certificates and as of any particular date, means all Certificates theretofore delivered except: (a) any Certificate canceled by the Trustee or surrendered for cancellation at or before said date, (b) Certificates for the payment or

redemption of which funds or eligible securities in the necessary amount, including accrued interest represented thereby, shall have theretofore been deposited with the Trustee (whether upon or prior to the maturity or redemption date of such Certificates), provided that, if such Certificates are to be prepaid prior to maturity, notice shall have been given as provided in the Trust Agreement or provision satisfactory to the Trustee shall have been made for the giving of such notice, and (c) any Certificate in lieu of, in substitution for or in exchange for which another Certificate shall have been delivered pursuant to the Trust Agreement.

Certificates the principal and/or interest with respect to which have been paid by the Insurer pursuant to the Insurance Policy shall remain Outstanding for all purposes of the Trust Agreement, as more fully described under "TRUST AGREEMENT - Defeasance" below.

"Owner" when used with respect to a Certificate means the person in whose name the ownership of such Certificate shall be registered on the Registration Books.

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

"Permitted Encumbrances" means, as of any particular time: (i) the Site Lease, the Lease and the Assignment Agreement; (ii) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the City may, pursuant to provisions of the Lease, permit to remain unpaid; (iii) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law, provided that either the City or the Authority diligently proceeds to remove such right or claim of record; and (iv) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which the City certifies in writing will not materially impair the use of the Leased Premises or to which the Authority and the City consent in writing.

"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, and are in accordance with the investment policy of the City, provided that the same are of appropriate maturity and acquired at Fair Market Value:

- (a) Federal Securities;
- (b) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself): (i) direct obligations or fully guaranteed certificates of beneficial ownership of the U.S. Export-Import Bank; (ii) certificates of beneficial ownership of the Farmers Home Administration; (iii) Federal Housing Administration debentures; (iv) participation certificates of the General Services Administration; (v) Federal Financing Bank bonds and debentures; (vi) guaranteed mortgage-backed bonds or guaranteed pass-through obligations of the Government National Mortgage Association; (vii) guaranteed Title XI financings of the U.S. Maritime Administration; and (viii) project notes, local authority bonds, new communities debentures and U.S. public housing notes and bonds of the U.S. Department of Housing and Urban Development;
- (c) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S.

government agencies (stripped securities only as stripped by the agency itself): (i) senior debt obligations of the Federal Home Loan Bank System; (ii) participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation; (iii) mortgaged-backed securities and senior debt obligations of Fannie Mae; (iv) senior debt obligations of the Student Loan Marketing Association; (v) obligations of the Resolution Funding Corporation; and (vi) consolidated system-wide bonds and notes of the Farm Credit System;

- (d) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of at least AAAM-G, AAAM or AAM, and a rating by Moody's of Aaa, Aa1 or Aa2 (such funds may include funds for which the Trustee, its affiliates, parent or subsidiaries provide investment advisory or other management services);
- (e) Investment agreements, including guaranteed investment contracts, forward purchase agreements, reserve fund put agreements and collateralized investment agreements rated at least A+ by S&P and approved in writing by the Insurer;
- (f) Commercial paper rated "P-1" by Moody's and "A-1+" by S&P and which matures not more than 270 days after the date of purchase;
- (g) Bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest rating categories assigned by such agencies;
- (h) Federal funds, certificates of deposit or bankers acceptances with a maximum term of one year with domestic commercial banks (including the Trustee and its affiliates which have an unsecured, uninsured and unguaranteed obligation rating of "P-1" by Moody's and "A-1" or "A-1+" by S&P;
- (i) The Local Agency Investment Fund which is administered by the California Treasurer for the investment of funds belonging to local agencies within the State of California, provided for investment of funds held by the Trustee, the Trustee is entitled to make investments and withdrawals in its own name as Trustee; and
- (j) shares in the California Asset Management Program; and

"Principal Office" means, with respect to the Trustee, the office of the Trustee in Los Angeles, California, or additional offices as may be specified in writing to the Authority, and the City by the Trustee, provided that for transfer, registration, exchange, payment and surrender of Certificates means the corporate trust office of BNY Western Trust Company in St. Paul, Minnesota, or such other office designated by the Trustee.

"Project" means the City's assistance of the Agency in undertaking various redevelopment activities within the boundaries of the Agency's Joint Project Area with the proceeds of the Certificates deposited into the Project Fund.

“Project Costs” means all costs of the Project, including but not limited to, grants, architect and engineering fees, construction contractor payments, costs of feasibility and other reports, inspection costs, performance bond premiums and permit fees.

“Project Fund” means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

“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 pursuant to the Trust Agreement, provided that all of the following requirements are met: (a) the long-term credit rating of such bank or insurance company is in the highest rating category by Moody’s and S&P; (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 Reserve Requirement with respect to which funds are proposed to be released pursuant to the Trust Agreement; and (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 Lease Payment Fund for the purpose of making payments required pursuant to the Trust Agreement.

“Rating Agencies” means, as of any date, (a) Moody’s, if Moody’s then maintains a rating on the Certificates, and (b) S&P, if S&P then maintains a rating on the Certificates.

“Rating Category” means any generic rating category of a Rating Agency, without regard to any refinement of such category by plus or minus sign or by numerical or other qualifying designation.

“Record Date” means with respect to any Interest Payment Date except a payment of defaulted interest, the date which is the fifteenth (15th) day of the calendar month preceding each Interest Payment Date.

“Refunding Instructions” means the Irrevocable Refunding Instructions relating to the 1993 Certificates from the City and the Authority to the 1993 Trustee.

“Registration Books” means the records maintained by the Trustee pursuant to the Trust Agreement for registration and transfer of ownership of the Certificates.

“Rental Period” means each period commencing on August 1 in each year during the Term of this Lease and ending on the next succeeding July 31, both dates inclusive; except that the first Rental Period for the Leased Premises shall be the period commencing on the date of recordation of this Lease and ending on the second succeeding July 31.

“S&P” means Standard & Poor’s Ratings Services, a division of the McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and their assigns, and, if such corporation shall for any reason no longer perform the function of a securities rating agency, “S&P” shall be deemed to refer to any other nationally recognized rating agency designated by the City.

“Securities Depositories” means The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Fax (516) 227-4039 or 4190; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the City may designate in a Written Request of the City delivered to the Trustee.

“Site Lease” means the Site Lease, dated as of July 1, 2003, by and between the City, as lessor, and the Authority, as lessee, together with any duly authorized and executed amendments thereto.

“Special Counsel” means an attorney or a firm of attorneys, acceptable to the City, of nationally recognized standing in matters pertaining to the tax-exempt nature of interest on bonds issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of any state of the United States of America or the City of Columbia.

“State” means the State of California.

“Tax Increment Revenues” means all taxes allocated to, and paid into a special fund of the Agency for the Joint Project pursuant to Article 6 of Chapter 6 of the Law and Section 16 of Article XVI of the Constitution of the State of California, and as provided in the redevelopment plan for the Joint Project, including all payments and reimbursements, if any, to the Agency specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations, but excluding any amounts required to be used to improve the community’s supply of low or moderate income housing pursuant to Section 33334.2 of the Law (or any successor or related Section of the Law).

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

“Term of the Lease” means the time during which the Lease is in effect, as provided in the Lease.

“Trust Agreement” means the Trust Agreement, dated as of July 1, 2003, by and among the City, the Authority and the Trustee, together with any amendments or supplements thereto permitted to be made thereunder.

“Trustee” means BNY Western Trust Company, a banking corporation under the laws of the State of California, or its successor and assigns under the provisions of the Trust Agreement.

“Written Certificate” or “Written Request” of the City mean, respectively, a certificate or request executed by a City Representative.

SITE LEASE

Under the Site Lease, the City leases the Leased Premises to the Authority. The term of the Site Lease begins as of its date of execution, delivery and recordation and ends upon termination of the Lease Agreement as a result of the payment in full of all Lease Payments or of the deposit by the City of security for such Lease Payments, as provided in the Lease Agreement. As consideration for the Site Lease, the Authority agrees to cause to be deposited with the Trustee from the proceeds of the Certificates an amount set forth in the Trust Agreement.

LEASE AGREEMENT

Lease of Leased Premises

The Authority leases the Leased Premises to the City, and the City leases the Leased Premises from the Authority, in accordance with the terms and provisions of the Lease.

Term

The Term shall commence on the date of recordation of the Lease in the Office of the Placer County Recorder and shall end on August 1, 2030, unless extended or sooner terminated. If on August 1, 2030, the Trust Agreement shall not be discharged by its terms, or if the Lease Payments shall have been abated at any time pursuant to the Lease, then the Term of shall be extended until the Trust Agreement shall be discharged by its terms, but not beyond August 1, 2038. If prior to August 1, 2038, the Trust Agreement shall be discharged by its terms, the Term shall thereupon end.

Lease Payments

Obligation to Pay. The City agrees to pay to the Authority the Lease Payments (denominated into components of principal and interest), to be due and payable on the respective Lease Payment Dates. The Lease Payments for the Leased Premises payable in any Rental Period shall be for the use and occupancy of the Leased Premises during such Rental Period.

Effect of Prepayment. In the event that the City prepays all remaining Lease Payments in full the City's obligations under the Lease shall thereupon cease and terminate, including the City's obligation to pay Lease Payments; subject, however, to the provisions of the Lease in the case of prepayment by application of a security deposit. In the event that the City prepays the Lease Payments in part, but not in whole, such prepayment shall be credited entirely towards the prepayment of the Lease Payments as follows: (i) the principal components of the remaining Lease Payments shall be reduced in Authorized Denominations as determined by the City; and (ii) the interest component of each remaining such Lease Payments shall be reduced by the aggregate corresponding amount of interest which would otherwise be payable with respect to the Certificates thereby prepaid.

Rate on Overdue Payments. In the event the City should fail to make any of the foregoing payment, the payment in default shall continue as an obligation of the City until the amount in default shall have been fully paid, and the City agrees to pay the same with interest thereon, to the extent permitted by law, from the date of default to the date of payment at a rate equal to the rate of eight percent (8%) per annum.

Fair Rental Value. The Lease Payments for the Leased Premises for each Rental Period shall constitute the total rental for the Leased Premises for each such Rental Period and shall be paid by the City in each Rental Period for and in consideration of the right of the use and occupancy, and the continued quiet use and enjoyment, of the Leased Premises during each Rental Period. The parties have agreed and determined that the total Lease Payments for the Leased Premises do not exceed the fair rental value of the Leased Premises. In making such determination, consideration has been given to the obligations of the parties under the Lease, the uses and purposes which may be served by the Leased Premises and the benefits therefrom which will accrue to the City and the general public.

Source of Payments; Budget and Appropriation. The Lease Payments shall be payable from any source of available funds of the City, subject to the provisions of the Lease with respect to damage, destruction and eminent domain and prepayment of Lease Payments.

The City will take such action as may be necessary to include all estimated Lease Payments and all estimated Additional Payments in each of its final approved budgets. The City will make all necessary appropriations (including any supplemental appropriations) from any source of legally available funds of the City for all the actual amount of Lease Payments and Additional Payments which come due and payable during the period covered by each such budget. The foregoing covenants shall be deemed to be and shall be construed to be duties imposed by law.

Assignment. All Lease Payments have been assigned by the Authority to the Trustee in trust, pursuant to the Assignment Agreement, for the benefit of the Insurer and the Owners of the Certificates and the City assents to such assignment. The City agrees to pay to the Trustee all payments payable by the City pursuant to the Lease.

Title

During the Term of the Lease, the City shall hold fee title to the Leased Premises and any and all additions which comprise fixtures, repairs, replacements or modifications to the Leased Premises. Upon payment in full of the Lease Payments, all right, title and interest of the Authority under the Lease in and to the Leased Premises shall be transferred to and vested in the City.

Maintenance, Utilities, Taxes and Assessments

All improvement, repair and maintenance of the Leased Premises shall be the responsibility of the City, and the City shall pay for or otherwise arrange for the payment of all utility services supplied to the Leased Premises, and shall pay for the cost of the repair and replacement of the Leased Premises resulting from ordinary wear and tear.

The City shall also pay all taxes and assessments of any type or nature, if any, charged to the Authority or the City affecting Leased Premises or the respective interests or estates therein.

Modification of Leased Premises

The City shall, at its own expense, have the right to make additions, modifications and improvements to the Leased Premises. All additions, modifications and improvements to the Leased Premises shall thereafter comprise part of the Leased Premises and be subject to the provisions of the Lease.

Insurance

Liability Insurance. The City shall maintain throughout the Term of the Lease a standard comprehensive general insurance policy or policies in protection of the City, and its members, officers, agents, employees and assigns. Said policy or policies shall provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the Leased Premises. Such policy or policies shall provide coverage in such liability limits and be subject to such deductibles as the City shall deem adequate and prudent. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and such liability insurance may be maintained in whole or in part in the form of self-

insurance by the City, or in the form of the participation by the City in a joint powers agency or other program providing pooled insurance. The proceeds of such liability insurance shall be applied by the City toward extinguishment or satisfaction of the liability with respect to which paid.

Fire and Extended Coverage Insurance. The City shall procure and maintain throughout the Term of the Lease, insurance against loss or damage to any improvements constituting any part of the Leased Premises by fire and lightning, with extended coverage and vandalism and malicious mischief insurance, and only if and to the extent available at reasonable cost from reputable insurers). Said extended coverage insurance shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance. Such insurance shall be in a loss recoverable amount at least equal to the lesser of (a) one hundred ten percent (110%) of the aggregate principal amount of the Outstanding Certificates, or (b) one hundred percent (100%) of the replacement cost of the insured property. Such insurance may be subject to deductible clauses of not to exceed \$250,000 for any one loss to the Leased Premises and such earthquake insurance may be subject to a deductible clause of not to exceed ten percent (10%) of said replacement cost for any one loss to the insured improvements. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and such insurance may be maintained in whole or in part in the form of the participation by the City in a joint powers agency or other program providing pooled insurance; provided that such insurance may not be maintained in the form of self-insurance.

Rental Interruption Insurance. The City shall procure, and maintain throughout the Term of the Lease, for the benefit of the Authority, rental interruption insurance to cover loss, total or partial, of the rental payments as a result of any of the hazards covered by fire and extended coverage insurance, in an amount at least equal to the maximum Lease Payments payable with respect to the improvements during the current or any future twenty-four (24) month period. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and such insurance may be maintained in whole or in part in the form of the participation by the City in a joint powers agency or other program providing pooled insurance; provided that such insurance may not be maintained in the form of self-insurance. The proceeds of such insurance shall be paid to the Trustee and shall be credited towards the payment of the Lease Payments in the order in which such Lease Payments come due and payable.

Each policy of insurance shall name the Authority, the City and the Trustee as loss payees so as to provide that all proceeds thereunder shall be payable to the Trustee. All such policies shall provide that the Trustee shall be given thirty (30) days' prior notice of expiration, any intended cancellation thereof or reduction of the coverage provided thereby. The Trustee shall not be responsible for the sufficiency of any insurance required by the Lease Agreement and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss. The City shall cause to be delivered to the Trustee and the Insurer annually, within sixty (60) days following the close of each Fiscal Year, a certificate executed by a City Representative stating whether the insurance policies required by the Lease are in full force and effect.

Tax Covenants

The City shall not take any action or permit to be taken any action within its control which would cause or which, with the passage of time if not cured would cause, interest represented by the Certificates to become includable in gross income for federal income tax purposes.

Eminent Domain, Damage or Destruction; Use of Proceeds

Eminent Domain. If all of the Leased Premises shall be taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the Term of the Lease shall cease with respect to the Leased Premises as of the day possession shall be so taken. If less than all of the Leased Premises shall be taken permanently, or if all of the Leased Premises or any part thereof shall be taken temporarily, (a) the Lease shall continue in full force and effect and shall not be terminated by virtue of such taking and the parties waive the benefit of any law to the contrary, and (b) there shall be an abatement of Lease Payments payable with respect to Leased Premises in an amount agreed upon by the City and the Authority such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining portions of the Leased Premises. Notwithstanding the foregoing, there shall be no abatement of the Lease Payments in the event and to the extent that amounts in the Insurance and Condemnation Fund or the Lease Payment Fund are available to pay Lease Payments which would otherwise be abated, it being declared that such proceeds and amounts constitute special funds for the payment of the Lease Payments.

Damage or Destruction

(a) Lease Payments shall be abated during any period in which, by reason of damage, destruction or other event (other than by eminent domain), there is substantial interference with the use and occupancy by the City of the Leased Premises or any portion thereof. The extent of such abatement shall be agreed upon by the City and the Authority, such that the resulting Lease Payments represent fair consideration for the use and occupancy of the portions of the Leased Premises not damaged, destroyed, incomplete or otherwise unavailable for use and occupancy by the City. Such abatement shall continue for the period commencing with such damage, destruction or other event and ending with the substantial completion of the work of repair or reconstruction or of completion of the Leased Premises or of the regained availability of use and occupancy. In the event of any such damage, destruction, non-completion or non-availability, the Lease shall continue in full force and effect and the City waives any right to terminate the Lease by virtue of any such damage, destruction, non-completion or unavailability.

(b) Notwithstanding the foregoing, there shall be no abatement of Lease Payments by reason of damage, destruction or unavailability of all or a portion of the Leased Premises to the extent that the value of the portions of the Leased Premises not damaged, destroyed, incomplete or otherwise unavailable for use and occupancy by the City based upon a written appraisal, is equal to or greater than the Outstanding Certificates; or the proceeds of rental interruption insurance or amounts in the Insurance and Condemnation Fund or the Lease Payment Fund are available to pay Lease Payments.

Application of Proceeds of Insurance Proceeds or Eminent Domain Award. The Net Proceeds of any insurance award resulting from any damage to or destruction of the Leased Premises by fire or other casualty shall be paid to the Trustee for deposit in the Insurance and Condemnation Fund to be applied as set forth in the Trust Agreement. The Net Proceeds of any

eminent domain award shall be paid to the Trustee for deposit in the Insurance and Condemnation Fund, to be applied as set forth in the Trust Agreement.

Assignment and Subleasing by the City

The Lease may not be assigned by the City. The City may sublease the Leased Premises, or portion thereof, but only with the written consents of the Insurer and the Authority, and subject to conditions set forth in the Lease, including the condition that such sublease does not cause the interest represented by the Certificates to become subject to federal or State personal income taxes.

Amendment

The Authority and the City may at any time amend or modify any of the provisions of the Lease, but only (a) with the prior written consents of the Insurer and the Owners of a majority in aggregate principal amount of the Outstanding Certificates; or (b) without the consent of the Trustee or any of the Certificate Owners, but with the written consent of the Insurer and only if such amendment or modification is for any one or more of the following purposes-

(i) to add to the covenants and agreements of the City contained in the Lease, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power reserved to or conferred upon the City;

(ii) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained herein, or in any other respect whatsoever as the Authority and the City may deem necessary or desirable, provided that, in the opinion of Special Counsel, such modifications or amendments shall not materially adversely affect the interests of the Owners of the Certificates;

(iii) to amend any provision relating to the Tax Code, to any extent whatsoever but only if and to the extent such amendment will not adversely affect the exclusion from gross income of interest represented by the Certificates under the Tax Code, in the opinion of Special Counsel;

(iv) to amend the description of the Leased Premises to more precisely identify the Leased Premises originally intended to be leased;

(v) to obligate the City to pay additional amounts of rental for the use and occupancy of the Leased Premises provided that (A) such additional amounts of rental do not cause the total rental payments made by the City under the Lease to exceed the fair rental value of the Leased Premises, (B) the City shall have obtained and filed with the Trustee, the Insurer and the Authority an appraisal of the Leased Premises showing that the estimated fair market value thereof is not less than the aggregate principal amount of the Outstanding Certificates and the aggregate principal components of such additional amounts of rental, and (C) such additional amounts of rental are pledged or assigned for the payment of any bonds, notes, leases or other obligations the proceeds of which shall be applied to finance the construction or acquisition of land, facilities or other improvements which are authorized pursuant to the laws of the State of California.

Events of Default

The following events shall be Events of Default:

- (a) Failure by the City to pay any Lease Payment when due.
- (b) Failure by the City to pay any Additional Payment when due and the continuation of such failure for a period of ten (10) days.
- (c) Failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed under the Lease or under the Trust Agreement, other than as referred to in the preceding clause (a) or clause (b), for a period of thirty (30) days after written notice has been given to the City by the Authority, the Insurer or the Trustee; *provided, however*, if in the reasonable opinion of the City the failure stated in the notice can be corrected, but not within such thirty (30) day period, the Authority, the Insurer and the Trustee shall not unreasonably withhold their consent to an extension of the period of time to remedy such failure if corrective action is instituted by the City within the applicable period and diligently pursued until such failure is corrected.
- (d) The filing by the City of a voluntary petition in bankruptcy, or failure by the City promptly to lift any execution, garnishment or attachment, or adjudication of the City as a bankrupt, or assignment by the City for the benefit of creditors, or the entry by the City into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the City in any proceedings instituted under the provisions of the Federal Bankruptcy Code, as amended, or under any similar acts which may hereafter be enacted.

Whenever any Event of Default shall have happened and be continuing, the Authority may exercise any and all remedies available pursuant to law or granted pursuant to the Lease; *provided, however*, that there shall be no right under any circumstances to accelerate the Lease Payments or otherwise declare any Lease Payments not then in default to be immediately due and payable. Each and every covenant of the Lease to be kept and performed by the City is expressly made a condition and upon the breach thereof the Authority may exercise any and all rights of entry and re-entry upon the Leased Premises, and also, at its option, with or without such entry, may terminate the Lease; *provided*, that no such termination shall be effected either by operation of law or acts of the parties thereto, except only in the manner herein expressly provided. Upon the occurrence of an Event of Default and notwithstanding any re-entry by the Authority, the Authority may commence an action for damages and the City shall continue to remain liable for the payment of the Lease Payments and/or damages for breach and the performance of all conditions, in any event such rent and/or damages shall be payable to the Authority at the time and in the manner as follows:

- (a) The City shall remain liable for the payment of all Lease Payments and the performance of all conditions and shall reimburse the Authority for any deficiency arising out of the re-leasing of the Leased Premises, or, in the event the Authority is unable to re-lease the Leased Premises, then for the full amount of all Lease Payments to the end of the Term of the Lease, but said Lease Payments and/or deficiency shall be payable only at the same time and in the same manner as provided for the payment of Lease Payments.

(b) The City irrevocably appoints the Authority as the agent and attorney-in-fact of the City to enter upon and re-lease the Leased Premises in the event of default by the City in the performance of any covenants to be performed by the City and to remove all personal property whatsoever situated upon the Leased Premises to place such personal property in storage or other suitable place in the County of Placer, for the account of and at the expense of the City, and the City hereby exempts and agrees to save harmless the Authority from any costs, loss or damage whatsoever arising or occasioned by any such entry upon and re-leasing of the Leased Premises and the removal and storage of such personal property by the Authority or its duly authorized agents.

(c) The City waives any and all claims for damages caused or which may be caused by the Authority in re-entering and taking possession of the Leased Premises as herein provided and all claims for damages that may result from the destruction of or injury to the Leased Premises and all claims for damages to or loss of any property belonging to the City that may be in or upon the Leased Premises.

(d) The City agrees that the terms of the Lease constitute full and sufficient notice of the right of the Authority to re-lease the Leased Premises in the event of such re-entry without effecting a surrender of the Lease, and further agrees that no acts of the Authority in effecting such re-leasing shall constitute a surrender or termination of the Lease irrespective of the term for which such re-leasing is made or the terms and conditions of such re-leasing, or otherwise.

(e) The City waives the right to any rental obtained by the Authority in excess of the Lease Payments and hereby conveys and releases such excess to the Authority as compensation to the Authority for its services in re-leasing the Leased Premises.

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

No remedy conferred upon or reserved to the Authority is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Lease or now or hereafter existing at law or in equity.

Prepayment of Lease Payments

Security Deposit. The City may on any date secure the payment of the Lease Payments in whole or in part by depositing with the Trustee an amount of cash which, together with other available amounts on deposit in the funds and accounts established under the Trust Agreement, is either (a) sufficient to pay such Lease Payments, including the principal and interest components thereof, in accordance with the Lease Payment schedule, or (b) invested in whole or in part in non-callable Federal Securities in such amount as will, in the opinion of an independent certified public accountant, together with interest to accrue thereon and together with any cash which is so deposited, be fully sufficient to pay such Lease Payments when due as the City shall instruct at the time of said deposit. In the event of a security deposit with respect to all unpaid Lease Payments (a) the Term of the Lease shall continue, (b) all obligations of the City under the Lease, and all security provided by the Lease for said obligations, shall thereupon cease and terminate, excepting only the obligation of the City to make, or cause to be made all of the Lease Payments from such security deposit, and (c) title to the Leased Premises shall vest in the City on the date of said deposit automatically and without further action by the City or the Authority.

Optional Prepayment. The City shall have the right, on any date on which the Certificates are subject to optional redemption to prepay the principal components of the Lease Payments from any source of legally available funds, in whole or in part in any integral multiple of an Authorized Denomination, and the Authority agrees that the Trustee shall accept such prepayments when the same are tendered by the City. The amount to be prepaid by the City shall be equal to the principal components of the Lease Payments to be prepaid, together with (a) the interest component of the Lease Payment required to be paid on such Lease Payment Date and (b) a premium equal to the amount of premium (if any) required to be paid upon the corresponding redemption of such Certificates.

Mandatory Prepayment From Net Proceeds of Insurance or Eminent Domain. The City shall be obligated to prepay the Lease Payments in whole or in part in any integral multiple of an Authorized Denomination, from and to the extent of any Net Proceeds of an insurance award or a condemnation award theretofore deposited in the Lease Payment Fund for such purpose.

ASSIGNMENT AGREEMENT

Pursuant to the Assignment Agreement, the Authority assigns to the Trustee, for the benefit of the Insurer and the Owners of the Certificates, all of the Authority's rights under the Lease Agreement (excepting only certain rights with respect to reimbursement and indemnification), including without limitation (a) the right to receive and collect all of the Lease Payments paid by the City under the Lease Agreement, and (b) the right to exercise such rights and remedies conferred on the Authority pursuant to the Lease Agreement as may be necessary or convenient (i) to enforce payment of the Lease Payments and any other amounts required to be deposited in any of the funds or accounts established under the Trust Agreement, or (ii) otherwise to protect the respective interests of the Trustee in the event of a default by the City under the Lease Agreement. The assignment is absolute and irrevocable.

TRUST AGREEMENT

The Trustee is appointed pursuant to the Trust Agreement to act as a depository of amounts held thereunder. The Trust Agreement authorizes the Trustee to prepare, execute and deliver the Certificates. Transfers of the Certificates are to be registered in a register maintained by the Trustee.

Funds

Costs of Issuance Fund. The Trustee shall establish a special fund designated as the "Costs of Issuance Fund". There shall be deposited in the Costs of Issuance Fund proceeds from the sale of the Certificates in an amount sufficient to pay Costs of Issuance. Upon receipt by the Trustee of written notice from a City Representative stating that all Costs of Issuance have been paid, but in any event not later than 120 days after the Closing Date, the Trustee shall transfer any moneys then remaining in the Costs of Issuance Fund to the Lease Payment Fund to be applied to pay the principal or interest represented by the Certificates. Thereupon, the Trustee shall close the Costs of Issuance Fund.

Prepayment Fund. The Trustee shall establish a special fund designated as the "Prepayment Fund" into which the Trustee shall deposit a portion of the proceeds of the sale of the Certificates. The Trustee shall transfer all amounts on deposit to the 1993 Trustee to be applied as provided in the Refunding Instructions to prepay the 1993 Certificates in accordance with the 1993 Trust Agreement.

Project Fund. The Trustee shall establish and maintain a separate fund designated as the "Project Fund" into which the Trustee shall deposit a portion of the proceeds of sale of the Certificates. Amounts in the Project Fund shall be disbursed for Project Costs pursuant to requisitions filed with the Trustee by a City Representative. Upon payment of all such costs, the Project Fund shall be closed, and any funds remaining therein shall be transferred to the Lease Payment Fund.

Lease Payment Fund. The Trustee shall establish a fund designated as the "Lease Payment Fund". There shall be deposited in the Lease Payment Fund all Lease Payments received by the Trustee, including any other moneys required to be deposited therein pursuant to the Lease or pursuant to the Trust Agreement.

Reserve Fund. The Trustee shall establish a special fund designated as the "Reserve Fund" to be held by the Trustee in trust for the benefit of the City and the Owners of the Certificates. Moneys in the Reserve Fund shall be held in trust as a reserve for the payment when due of the Lease Payments on behalf of the City. All amounts on deposit in the Reserve Fund in excess of the Reserve Requirement, and all amounts derived from the investment of amounts in the Reserve Fund which are not required to be retained therein to maintain the Reserve Requirement, shall be transferred by the Trustee to the Lease Payment Fund on or before each Interest Payment Date.

If on any Interest Payment Date the moneys available in the Lease Payment Fund do not equal the amount of the Lease Payment then coming due and payable, the Trustee shall apply the moneys available in the Reserve Fund to make such payments on behalf of the City by transferring the amount necessary for this purpose to the Lease Payment Fund. Upon receipt of any delinquent Lease Payment with respect to which moneys have been advanced from the Reserve Fund, such Lease Payment shall be deposited in the Reserve Fund to the extent of such advance.

The City shall, subject to the prior written consent of the Insurer, have the right at any time, to cause the Trustee to release funds from the Reserve Fund, in whole or in part, by

tendering to the Trustee: (1) a Qualified Reserve Fund Credit Instrument, and (2) an opinion of Special Counsel stating that such release will not, of itself, cause the portion of the Lease Payments designated as and comprising interest to become includable in gross income for purposes of federal income taxation. Upon tender of such items to the Trustee, the Trustee shall transfer such funds from the Reserve Fund to the City. Prior to the expiration of any Qualified Reserve Fund Credit Instrument, or to the reduction of the rating of the provider thereof below the rating on the Certificates, the City shall be obligated either (a) to replace such Qualified Reserve Fund Credit Instrument with a new Qualified Reserve Fund Credit Instrument, or (b) to deposit or cause to be deposited with the Trustee an amount of funds equal to the Reserve Requirement.

Insurance and Condemnation Fund

Insurance Proceeds

(a) Any Net Proceeds of insurance against accident to or destruction of any part of the Leased Premises collected by the City in the event of any such accident or destruction shall be paid to the Trustee by the City and deposited promptly upon receipt thereof in a special fund to be established and designated as the "Insurance and Condemnation Fund."

(b) Within ninety (90) days following the date of such deposit, the City shall determine and notify the Trustee in writing of its determination either (i) that the replacement, repair, restoration, modification or improvement of the Leased Premises is not economically feasible or in the best interest of the City, or (ii) that all or a portion of such Net Proceeds are to be applied to the prompt replacement, repair, restoration, modification or improvement of the damaged or destroyed portions of the Leased Premises. Notwithstanding the foregoing, in the event that the Net Proceeds, together with other available funds then held by the Trustee for such purpose, are insufficient to redeem Certificates in an aggregate principal amount such that the Lease Payments which are payable following such redemption will not be subject to abatement pursuant the Lease, the City shall be obligated to apply such Net Proceeds to the prompt replacement, repair, restoration, modification or improvement of the damaged or destroyed portions of the Leased Premises.

(c) In the event the City determines that replacement or repair is not economically feasible or in the best interest of the City, such Net Proceeds shall be promptly transferred by the Trustee to the Lease Payment Fund, for prepayment of Lease Payments and applied to the prepayment of Certificates; *provided, however*, that in the event of damage or destruction of the Leased Premises in full, such Net Proceeds may be transferred to the Lease Payment Fund only if sufficient, together with other moneys available therefor, to cause the prepayment of the principal components of all unpaid Lease Payments allocable to the Leased Premises; *provided further, however*, that in the event of damage or destruction of the Leased Premises in part, such Net Proceeds may be transferred to the Lease Payment Fund for the prepayment of Lease Payments only if the resulting Lease Payments represent fair consideration for the remaining portions of the Leased Premises.

(d) In the event the City determines to replace or repair the damaged or destroyed portions of the Leased Premises, Net Proceeds deposited in the Insurance and Condemnation Fund shall be applied for such purposes and disbursed by the Trustee upon receipt of requisitions signed by a City Representative.

Eminent Domain Award

If all or any part of the Leased Premises shall be taken by eminent domain proceedings (or sold to a government threatening to exercise the power of eminent domain) the Net Proceeds therefrom shall be deposited with the Trustee in the Insurance and Condemnation Fund and shall be applied and disbursed by the Trustee as follows:

(a) If the City has given written notice to the Trustee of its determination that (i) such eminent domain proceedings have not materially affected the operation of the Leased Premises or the ability of the City to meet any of its obligations with respect to the Leased Premises under the Lease, and (ii) such proceeds are not needed for repair or rehabilitation of the Leased Premises, the City shall so certify to the Trustee and the Trustee, at the City's written request, shall transfer such proceeds to the Lease Payment Fund for the prepayment of the Lease Payments and applied to the prepayment of Certificates.

(b) If the City has given written notice to the Trustee of its determination that (i) such eminent domain proceedings have not materially affected the operation of the Leased Premises or the ability of the City to meet any of its obligations with respect to the Leased Premises under the Lease, and (ii) such proceeds are needed for repair, rehabilitation or replacement of the Leased Premises, the City shall so certify to the Trustee and the Trustee, at the City's written request, shall pay to the City, or to its order, from said proceeds such amounts as the City may expend for such repair or rehabilitation, upon the filing with the Trustee of requisitions of the City Representative.

(c) If (i) less than all of the Leased Premises shall have been taken in such eminent domain proceedings or sold to a government threatening the use of eminent domain powers, and if the City has given written notice to the Trustee of its determination that such eminent domain proceedings have materially affected the operation of the Leased Premises or the ability of the City to meet any of its obligations with respect to the Leased Premises under the Lease or (ii) all of the Leased Premises shall have been taken in such eminent domain proceedings, then the Trustee shall transfer such proceeds to the Lease Payment Fund for the prepayment of the Lease Payments of the Lease and applied to the prepayment of Certificates.

Moneys in Fund; Investments

The moneys and investments held by the Trustee under the Trust Agreement are irrevocably held in trust for the benefit of the Owners of the Certificates, and shall not be subject to levy or attachment or lien by or for the benefit of any creditor of the Authority, the Trustee or the City or any Owner of Certificates, except as provided in the Trust Agreement.

Moneys held by the Trustee shall be invested and reinvested by the Trustee in Permitted Investments held in the name of the Trustee. The Trustee may act as principal or agent in the making or disposing of any investment.

The Trustee shall furnish to the City at least monthly, an accounting statement of all investments made by the Trustee.

All income or profit on any investments of funds held by the Trustee under the Trust Agreement shall be deposited in the respective funds from which such investments were made.

Modification or Amendment of Agreements

The Trust Agreement and the rights and obligations of the Owners of the Certificates may be modified or amended at any time by a supplemental agreement which shall become effective when the written consents of the Insurer and of the Owners of a majority in aggregate

principal amount of the Certificates then Outstanding, exclusive of Certificates disqualified as provided in the Trust Agreement, shall have been filed with the Trustee. No such modification or amendment shall (1) extend or have the effect of extending the fixed maturity of any Certificate or reducing the interest rate with respect thereto or extending the time of payment of interest, or reducing the amount of principal thereof or reducing any premium payable upon the redemption thereof, without the express consent of the Owner of such Certificate, or (2) reduce or have the effect of reducing the percentage of Certificates required for the affirmative vote or written consent to an amendment or modification of the Lease, or (3) modify any of the rights or obligations of the Trustee without its written assent thereto.

The Trust Agreement and the rights and obligations of the Owners of the Certificates may, with the prior written consent of the Insurer, be modified or amended at any time by a supplemental agreement, without the consent of any such Owners, but only to the extent permitted by law and only (1) to add to the covenants and agreements of any party, other covenants to be observed, or to surrender any right or power herein or therein reserved to the City, (2) to cure, correct or supplement any ambiguous or defective provision contained herein or therein and which shall not adversely affect the interests of the Owners of the Certificates, (3) in regard to questions arising thereunder, as the parties thereto may deem necessary or desirable, (4) to make such additions, deletions or modifications as may be necessary or desirable to assure exemption from federal income taxation of interest with respect to the Certificates; (5) to the extent necessary to obtain a rating with respect to the Certificates from Moody or S&P, or both; (6) to substitute the Leased Premises in accordance with the provisions of the Lease; or (7) to add to the rights of the Trustee; provided that no such amendment shall, in the opinion of Special Counsel, materially adversely affect the interests of the Owners of the Certificates or shall impair the right of any Owner to receive, in any case, such Owner's fractional share of any Lease Payment in accordance with such Owner's Certificate.

Notwithstanding any other provision of the Trust Agreement, any provision of the Trust Agreement expressly recognizing or granting rights in or to the Insurer may not be amended in any manner which affects the rights of the Insurer under the Trust Agreement without the prior written consent of the Insurer.

Events of Default and Remedies

Assignment of Rights. Pursuant to the Assignment Agreement the Authority has transferred, assigned and set over to the Trustee all of the Authority's rights in and to the Lease, including the right to exercise the Authority's rights and take any action to protect the interests of the Trustee or the Certificate Owners in an Event of Default.

Remedies. Subject to the Insurer's written direction, if an Event of Default shall happen, then and in each and every such case during the continuance of such Event of Default, the Trustee may, and to the extent indemnified to its satisfaction upon request of the Owners shall, exercise any and all remedies available pursuant to law or granted pursuant to the Lease; *provided, however,* there shall be no right under any circumstances to accelerate the maturities of the Certificates.

Application of Funds. All moneys received by the Trustee pursuant to any right given or action taken shall be applied by the Trustee in the order following upon presentation of the several Certificates, and the execution and delivery of new Certificates 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, the Insurer, and of the Certificate Owners in declaring such Event of Default

(although the Trustee shall have no claim to amounts drawn on the Letter of Credit, to remarketing proceeds or to amounts for the payment of premiums upon an optional redemption), including reasonable compensation to its or their agents, attorneys and counsel;

Second, to the payment of the whole amount then owing and unpaid with respect to the Certificates for principal and interest, with interest on the overdue principal and installments of interest at a rate per annum equal to the rate then payable with respect to the Certificates to the extent permitted by law (but such interest on overdue installments of interest shall be paid only to the extent funds are available therefor following payment of principal and interest and interest on overdue principal, as aforesaid), and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid with respect to the Certificates, then to the payment of such principal and interest without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, ratably to the aggregate of such principal and interest.

Limitation on Certificate Owners' Right to Sue. No Owner of any Certificate shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Trust Agreement, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of at least twenty-five percent (25%) in aggregate principal amount of all the Certificates then Outstanding shall have made written request upon the Trustee to exercise the powers granted or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trustee reasonable indemnity satisfactory to it 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, in every case, to be conditions precedent to the exercise by any Owner of Certificates of any remedy under the Trust Agreement; it being understood and intended that no one or more Owners of Certificates shall have any right in any manner whatever by his or their action to enforce any right under the Trust Agreement, except in the manner herein provided, and that all proceedings at law or in equity with respect to an Event of Default shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all Owners of the Outstanding Certificates.

The right of any Owner of any Certificate to receive payment of said Owner's proportionate interest in the Lease Payments as the same become due, or to institute suit for the enforcement of such payment, shall not be impaired or affected without the consent of such Owner.

Anything in the Trust Agreement to the contrary notwithstanding, upon the occurrence and continuation of an Event of Default, the Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted under the Trust Agreement to the Certificate Owners, or to the Trustee for the benefit of the Certificate Owners, including but not limited to, the right to approve all waivers of any Events of Default. The rights granted to the Insurer shall be deemed terminated and shall not be exercisable by the Insurer during any period during which the Insurer shall be in default under the Insurance Policy.

Rights of the Insurer. Anything in the Trust Agreement to the contrary notwithstanding, upon the occurrence and continuation of an Event of Default, the Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted hereunder to the Certificate Owners, or to the Trustee with respect to such Events of Default for the benefit of the Certificate Owners, including but not limited to, the right to approve all waivers of any Events of Default. The rights granted to the Insurer shall be deemed terminated and shall not be exercisable by the Insurer during any period during which the Insurer shall be in default under the Insurance Policy.

In addition to the consents of the Insurer required under other provisions of the Trust Agreement, the following provisions relating to the Insurer shall apply:

(a) Any reorganization or liquidation plan with respect to the Authority or the City must be acceptable to the Insurer. In the event of any reorganization or liquidation, the Insurer shall have the right to vote on behalf of all Certificate Owners absent a default by the Insurer under the Insurance Policy.

(b) The initiation or approval of any action requiring Certificate Owner consent shall also require the consent of the Insurer.

Defeasance

If and when all Outstanding Certificates shall be paid and discharged 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 redemption premiums (if any) with respect to all Certificates Outstanding, as and when the same become due and payable; or

(b) by depositing with the Trustee, under an escrow deposit and trust agreement, security for the payment of Lease Payments, said security to be held by the Trustee to be applied by the Trustee to pay or prepay the Lease Payments as the same become due, pursuant to the Lease, notwithstanding that any Certificates shall not have been surrendered for payment, all obligations of the Authority, the Trustee and the City with respect to all Outstanding Certificates shall cease and terminate, except only the obligation of the Trustee to pay or cause to be paid to the Owners of the Certificates not so surrendered and paid all sums due with respect thereto, and in the event of deposits pursuant to paragraph (b), the Certificates shall continue to represent direct and proportionate interests of the Owners thereof in Lease Payments under the Lease.

Any funds held by the Trustee, at the time of one of the events described in paragraphs (a) or (b), which are not required for the payment to be made to Owners or for any outstanding fees and expenses of the Trustee, shall be paid over to the City.

Notwithstanding any in the Trust Agreement to the contrary, in the event the principal, interest, and prepayment premium, if any, with respect to the Certificates is paid by the Insurer, the obligations of the Trustee and the City under the Trust Agreement and the lease shall continue in full force and effect and the Insurer shall be fully subrogated to the rights of the Owners of the Certificates so paid.

The Insurance Policy and the Insurer

Payment Procedure-Insurance Policy. Payments under the Insurance Policy shall be made in accordance with the following provisions, with which the City and the Trustee agree to comply, so long as the Insurance Policy shall be in full force and effect.

(a) At least one (1) day prior to all Interest Payment Dates, the Trustee will determine whether there will be sufficient funds in the funds and accounts established under the Trust Agreement to pay the principal or interest with respect to the Certificates 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 Insurer. Such notice shall specify the amount of the anticipated deficiency, the Certificates to which such deficiency is applicable and whether such Certificates will be deficient as to principal or interest or both. If the Trustee has not so notified the Insurer at least one (1) day prior to an Interest Payment Date, the Insurer will make payments of principal or interest with respect to the Certificates on or before the first (1st) day next following the date on which the Insurer shall have received notice of nonpayment from the Trustee.

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

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

(d) The Trustee shall, at the time it provides notice to the Insurer pursuant to (a) above, notify registered owners of Certificates entitled to receive the payment of principal or interest thereon from the Insurer (i) as to the fact of such entitlement, (ii) that the Insurer will remit to them all or a part of the interest payments next coming due upon proof of Certificate Owner 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 Insurer, they must surrender their Certificates (along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee to permit ownership of such Certificates to be registered in the name of the 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 Insurer, they must surrender their Certificates for payment thereon first to the Trustee who shall note on such Certificates 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 or interest with respect to a Certificate which has become due for payment and which is made to a Certificate Owner by or on behalf of the City 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, promptly upon receiving such notice, notify the Insurer of such notice and 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 Insurer to the extent of such recovery if sufficient funds are not otherwise available, and the Trustee shall furnish to the Insurer its records evidencing the payments of principal and interest with respect to the Certificates 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 Insurer under the Trust Agreement, the Insurer shall, to the extent it makes payment of principal and interest with respect to Certificates, become subrogated to the rights of the recipients of such payments in accordance with the terms of the 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 Insurer's rights as subrogee on the registration books of the City maintained by the Trustee upon receipt from the Insurer of proof of the payment of interest thereon to the registered owners of the Certificates, and (ii) in the case of subrogation as to claims for past due principal, the Trustee shall note the Insurer's rights as subrogee on the registration books of the City maintained by the Trustee upon surrender of the Certificates by the registered owners thereof together with proof of the payment of principal thereof.

Additional Provisions.

(a) While the Insurance Policy or the Surety Bond is in effect, the City or the Trustee, as appropriate, shall furnish to the Insurer (to the attention of the Surveillance Department, unless otherwise indicated):

(i) as soon as practicable after the filing thereof, a copy of any financial statement of the City and a copy of any audit and annual report of the City;

(ii) such additional information it may reasonably request; and

(iii) a copy of any notice to be given to the registered owners of the Certificates, including, without limitation, notice of any redemption of or defeasance of Certificates, and any certificate rendered pursuant to the Trust Agreement relating to the security for the Certificates.

(b) To the extent that the City or the City has entered into a continuing disclosure agreement with respect to the Certificates, the Insurer shall be included as party to be notified.

(c) The Trustee or City, as appropriate, shall notify the office of the General Counsel of the Insurer of any failure of the City to provide relevant notices, certificates, or filings.

(d) Notwithstanding any other provision of the Trust Agreement, the Trustee or the City, as appropriate, shall immediately notify the Insurer (including the General Counsel's office) if at any time there are insufficient moneys to make any payments of principal and/or interest as required and immediately upon the occurrence of any event of default hereunder.

(e) The City will permit the Insurer to discuss the affairs, finances and accounts of the City or any information the Insurer may reasonably request regarding the security for the Certificates with appropriate officers of the City. The Trustee or City, as appropriate, will permit the Insurer to have access to the Leased Property and have access to and to make copies of all books and records relating to the Certificates at any reasonable time.

(f) The Insurer shall have the right to direct an accounting at the City's expense, and the City's failure to comply with such direction within thirty (30) days after receipt of written notice of the direction from the Insurer shall be deemed a default hereunder; provided, however, that if compliance cannot occur within such period, then such period will be extended so long as compliance is begun within such period and diligently pursued, but only if such extension would not materially adversely affect the interests of any registered owner of the Certificates.

(g) Notwithstanding any other provision of the Trust Agreement or the Lease, the City may not amend the Lease pursuant to the substitution or release provisions of the Lease without the consent of the Insurer.

APPENDIX D

[FORM OF PROPOSED OPINIONS OF SPECIAL COUNSEL]

July 17, 2003

City of Roseville
311 Vernon Street
Roseville, California 95678

OPINION: \$18,275,000 2003A Certificates of Participation (1993 Public Facilities Refunding) Evidencing the Direct, Undivided Fractional Interests of the Owners Thereof in Lease Payments to be Made by the City of Roseville, California

Members of the City Council:

We have acted as special counsel in connection with the delivery by the City of Roseville, California (the "City") of the Lease Agreement, dated as of July 1, 2003 (the "Lease Agreement") by and between the Roseville Finance Authority (the "Authority") and the City. Pursuant to the Trust Agreement, dated as of July 1, 2003 (the "Trust Agreement") by and among the City, the Authority and BNY Western Trust Company, as trustee thereunder (the "Trustee"), the Trustee has executed and delivered \$18,275,000 aggregate principal amount of 2003 Certificates of Participation (1993 Public Facilities Refunding) (the "Certificates") evidencing the direct, undivided fractional interests of the owners thereof in lease payments to be made by the City pursuant to the Lease Agreement (the "Lease Payments") which have been assigned by the Authority to the Trustee pursuant to the Assignment Agreement dated as of July 1, 2003 (the "Assignment Agreement") by and between the Authority and the Trustee. We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

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

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

1. The City is a chartered city and municipal corporation duly organized and validly existing under the laws of the State of California with the full power to enter into the Lease Agreement and the Trust Agreement and to perform the agreements on its part contained therein.

2. The Lease Agreement and the Trust Agreement have been duly approved by the City and constitute valid and binding obligations of the City enforceable against the City in accordance with their respective terms.

3. The Certificates have been validly executed and delivered by the Trustee pursuant to the Trust Agreement and, by virtue of the assignment made pursuant to the Assignment Agreement, the owners of the Certificates are entitled to the benefits of the Lease Agreement.

4. The portion of the Lease Payments designated as and comprising interest and received by the owners of the Certificates 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 such corporations (as defined for federal income tax purposes), such interest is required to be taken into account in determining certain income and earnings. The opinions set forth in the preceding sentence is subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the delivery of the Lease Agreement in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes and that the Lease Agreement be, or continue to be, a qualified tax-exempt obligation. The City has covenanted in the Lease Agreement and the Trust Agreement and other instruments relating to the Certificates to comply with each of such requirements. 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 delivery of the Lease Agreement. We express no opinion regarding other federal tax consequences arising with respect to the Lease Agreement and the Certificates.

5. The portion of the Lease Payments designated as and comprising interest and received by the owners of the Certificates is exempt from personal income taxation imposed by the State of California.

The rights of the owners of the Certificates and the enforceability of the Lease Agreement, the Trust Agreement and the Assignment Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in accordance with principles of equity or otherwise in appropriate cases.

Respectfully submitted,

A Professional Law Corporation

July 17, 2003

City of Roseville
311 Vernon Street
Roseville, California 95678

OPINION: \$8,240,000 2003B Certificates of Participation (1993 Golf Course Refunding) Evidencing the Direct, Undivided Fractional Interests of the Owners Thereof in Lease Payments to be Made by the City of Roseville, California

Members of the City Council:

We have acted as special counsel in connection with the delivery by the City of Roseville, California (the "City") of the Lease Agreement, dated as of July 1, 2003 (the "Lease Agreement") by and between the Roseville Finance Authority (the "Authority") and the City. Pursuant to the Trust Agreement, dated as of July 1, 2003 (the "Trust Agreement") by and among the City, the Authority and BNY Western Trust Company, as trustee thereunder (the "Trustee"), the Trustee has executed and delivered \$8,240,000 aggregate principal amount of 2003 Certificates of Participation (1993 Golf Course Refunding) (the "Certificates") evidencing the direct, undivided fractional interests of the owners thereof in lease payments to be made by the City pursuant to the Lease Agreement (the "Lease Payments") which have been assigned by the Authority to the Trustee pursuant to the Assignment Agreement dated as of July 1, 2003 (the "Assignment Agreement") by and between the Authority and the Trustee. We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

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

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

1. The City is a chartered city and municipal corporation duly organized and validly existing under the laws of the State of California with the full power to enter into the Lease Agreement and the Trust Agreement and to perform the agreements on its part contained therein.

2. The Lease Agreement and the Trust Agreement have been duly approved by the City and constitute valid and binding obligations of the City enforceable against the City in accordance with their respective terms.

3. The Certificates have been validly executed and delivered by the Trustee pursuant to the Trust Agreement and, by virtue of the assignment made pursuant to the

Assignment Agreement, the owners of the Certificates are entitled to the benefits of the Lease Agreement.

4. The portion of the Lease Payments designated as and comprising interest and received by the owners of the Certificates 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 such corporations (as defined for federal income tax purposes), such interest is required to be taken into account in determining certain income and earnings. The opinions set forth in the preceding sentence is subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the delivery of the Lease Agreement in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes and that the Lease Agreement be, or continue to be, a qualified tax-exempt obligation. The City has covenanted in the Lease Agreement and the Trust Agreement and other instruments relating to the Certificates to comply with each of such requirements. 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 delivery of the Lease Agreement. We express no opinion regarding other federal tax consequences arising with respect to the Lease Agreement and the Certificates.

5. The portion of the Lease Payments designated as and comprising interest and received by the owners of the Certificates is exempt from personal income taxation imposed by the State of California.

The rights of the owners of the Certificates and the enforceability of the Lease Agreement, the Trust Agreement and the Assignment Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in accordance with principles of equity or otherwise in appropriate cases.

Respectfully submitted,

A Professional Law Corporation

APPENDIX E

SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY

APPENDIX F

FORM OF CONTINUING DISCLOSURE AGREEMENTS

2003A CERTIFICATES

This Continuing Disclosure Agreement (the "Disclosure Agreement"), dated as of July 17, 2003, is executed and delivered by the City of Roseville (the "City") and BNY Western Trust Company, as dissemination agent (the "Dissemination Agent"), in connection with the delivery of \$18,275,000 City of Roseville Certificates of Participation, Series 2003A (1993 Public Facilities Refunding) (the "Certificates"). The Certificates are being delivered pursuant to a Trust Agreement, dated as of July 1, 2003 (the "Trust Agreement"), by and among the City, the Roseville Finance Authority, and the Trustee. The City and the Dissemination Agent covenant as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the City and the Dissemination Agent for the benefit of the Owners and, Beneficial Owners of the Certificates and in order to assist the Participating Underwriters in complying with the Rule.

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

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

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

"Disclosure Representative" shall mean the Finance Director of the City or his or her designee, or such other officer or employee as the City shall designate in writing to the Dissemination Agent from time to time.

"Dissemination Agent" shall mean, initially, BNY Western Trust Company, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designed in writing by the City and which has been filed with the then current Dissemination Agent 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 purpose of the Rule.

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

"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.

"Tax-exempt" shall mean that interest on the Certificates is excluded from gross income for federal income tax purposes, whether or not such interest is includable as an item of tax preferences or otherwise includable directly or indirectly for purposes of calculating any other tax liability, including any alternative minimum tax or environmental tax.

SECTION 3. Provision of Annual Report.

(a) The City shall, or shall cause the Dissemination Agent by written direction to such Dissemination Agent to, not later than March 31 after the end of the City's fiscal year (which currently ends on June 30), commencing with the report for the fiscal year ending June 30, 2003 (due March 31, 2004), provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the City may be submitted separately from and later than the balance of the Annual Report if they are not available by the date required above for the filing of the Annual Report.

An Annual Report shall be provided at least annually notwithstanding any fiscal year longer than 12 calendar months. The City's fiscal year is currently effective from July 1 to the immediately succeeding June 30 of the following year. The City will promptly notify each Repository or the Municipal Securities Rulemaking Board and, in either case, the Trustee and the Dissemination Agent of a change in the fiscal year dates.

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to Repositories, the City shall provide the Annual Report to the Dissemination Agent. If by fifteen (15) Business Days prior to such date the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the City of such failure to receive the report. The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent may conclusively rely upon such certification of the City and shall have no duty or obligation to review such Annual Report.

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

(d) The Dissemination Agent shall:

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

(ii) promptly after receipt of the Annual Report, file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 4. Content of Annual Reports. The City's Annual Report shall contain or include by reference:

(a) The audited financial statements of the City for the most recent fiscal year of the City then ended. If the City prepares audited financial statement and if the audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain any unaudited financial statements of the City in a format similar to the financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available. Audited financial statements of the City shall be audited by such auditor as shall then be required or permitted by State law or the Trust Agreement. Audited financial statements, if prepared by the City, shall be prepared in accordance with generally accepted accounting principles as prescribed for governmental units by the Governmental Accounting Standards Board; provided, however, that the City may from time to time, if required by federal or state legal requirements, modify the basis upon which its financial statements are prepared. In the event that the City shall modify the basis upon which its financial statements are prepared, the City shall provide a notice of such modification to each Repository, including a reference to the specific federal or state law or regulation specifically describing the legal requirements for the change in accounting basis.

(b) The Annual Report shall contain or incorporate by reference the following information:

(i) the principal amount of Certificates outstanding as of June 30 preceding the filing of the Annual Report;

(ii) the balance in the Reserve Fund created under the Trust Agreement as of June 30 preceding the filing of the Annual Report; and

(iii) to the extent not included in the annual financial statements of the City, updates as of June 30 preceding the filing of the Annual Report of the substance of the information contained in following tables in the Official Statement:

(1) City Budget for the fiscal year reported;

(2) Assessed Value of All Taxable Property in the City for the fiscal year reported; and

(3) Property Tax Levies and Collections in the City for the most recent fiscal year for which such information is available.

(c) Any or all of the items listed in (a) or (b) above may be included by specific reference to other documents, including the City's Annual Financial Report ("Annual Financial Report") and official statements of debt issues of the City or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission (the information in (b)(iii) above is currently expected to be in the City's Annual Financial Report and no reference to such information need be made so long as it appears in the Annual Financial Report). 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 Certificates, if material:

- (1) principal and interest payment delinquencies;
- (2) non payment related defaults;
- (3) unscheduled draws on the Reserve Fund reflecting financial difficulties;
- (4) unscheduled draws on any credit enhancements securing the Certificates reflecting financial difficulties;
- (5) any change in the provider of any letter of credit or any municipal Certificate insurance policy securing the Certificates or any failure by the providers of such letters of credit or municipal Certificate insurance policies to perform on the letter of credit or municipal Certificate insurance policy;
- (6) adverse tax opinions or events adversely affecting the tax-exempt status of the Certificates;
- (7) modifications to the rights of Certificate Owners;
- (8) unscheduled redemption of any Certificate;
- (9) defeasances;
- (10) any release, substitution, or sale of property securing repayment of the Certificates; and
- (11) rating changes.

(b) The Dissemination Agent shall, promptly upon the obtaining actual knowledge of the occurrence of any of the Listed Events, inform the City of the event, and request that the City promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (f). For purposes of this Disclosure Agreement, "actual knowledge" of the occurrence of such Listed Events shall mean actual knowledge by an employee of the Dissemination Agent with regular responsibility for the administration of matters related to this Continuing Disclosure Agreement.

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

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

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

(f) If the Dissemination Agent has been instructed by the City to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with (1) the Municipal Securities Rulemaking Board or (2) each National Repository, and in either

case, to each State Repository. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (a)(9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Owners of affected Certificates pursuant to the Trust Agreement. In each case of the Listed Event, the Dissemination Agent shall not be obligated to file a notice as required in this subsection (f) prior to the occurrence of such Listed Event.

(g) The City hereby agrees that the undertaking set forth in this Disclosure Agreement is the responsibility of the City and that the Dissemination Agent shall not be responsible for determining whether the City's instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

SECTION 6. Termination of Reporting Obligation. The obligation of the City and the Dissemination Agent under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Certificates. If such termination occurs prior to the final maturity of the Certificates, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5.

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 the Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent. The initial Dissemination Agent shall be BNY Western Trust Company. The Dissemination Agent may resign by providing (i) thirty days written notice to the City and the Trustee and (ii) upon appointment of a new Dissemination Agent hereunder.

SECTION 8. Amendment. (a) This Disclosure Agreement may be amended, by written agreement of the parties and the Participating Underwriters, if all of the following conditions are satisfied: (1) this Disclosure Agreement as so amended complies with the requirements of the Rule, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (2) the City shall have delivered to the Trustee an opinion of a nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the City and the Trustee, to the same effect as set forth in clause (1) above, and (3) the City shall have delivered copies of such amendment to each Repository.

(b) To the extent any amendment to this Disclosure Agreement results in a change in the type of financial information or operating data provided pursuant to this Disclosure Agreement, the first Annual Report provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the City shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

The City acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities

Exchange Act of 1934, may apply to the City, and that under some circumstances compliance with this Disclosure Agreement, without additional disclosures or other action, may not fully discharge all duties and obligations of the City under such laws.

SECTION 10. Default. In the event of a failure of the City or the Dissemination Agent to comply with any provision of this Disclosure Agreement, any Owner or Beneficial Owner of the Certificates may take such actions as may be necessary and appropriate, including seeking mandate if or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the City to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. Article VIII of the Trust Agreement is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Trust Agreement and the Dissemination Agent shall be entitled to the same protections, limitations from liability and indemnities hereunder as are afforded the Trustee thereunder. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the City agrees to indemnify and save the Dissemination Agent and 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 their powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to them hereunder. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Certificates. No person shall have any right to commence any action against the Dissemination Agent seeking any remedy other than to compel specific performance of this Disclosure Agreement. The Dissemination Agent shall not be liable under any circumstances for monetary damages to any person for any breach under this Disclosure Agreement.

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

SECTION 13. Notices. Notices should be sent in writing to the following addresses: The following information may be conclusively relied upon until changed in writing.

Disclosure Representative:	Finance Director City of Roseville 311 Vernon Street Roseville, California 95678
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Dissemination Agent:

BNY Western Trust Company
Corporate Trust Department
550 Kearney Street, Suite 600
San Francisco, California 94108
Ref: City of Roseville 2003 COP

SECTION 14. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall constitute but one and the same instrument.

Date: July 17, 2003

CITY OF ROSEVILLE

By: _____
Finance Director

BNY WESTERN TRUST COMPANY,
as Dissemination Agent

By: _____
Authorized Officer

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Obligated Person: City of Roseville

Name of Certificate Issue: Certificates of Participation, Series 2003A
(1993 Public Facilities Refunding)

Date of Issuance: July 17, 2003

NOTICE IS HEREBY GIVEN that the City of Roseville has not provided an Annual Report with respect to the above-named Certificates. The City anticipates that the Annual Report will be filed by _____.

Dated: _____

BNY Western Trust Company,
as Dissemination Agent

cc: City of Roseville

2003B CERTIFICATES FORM

This Continuing Disclosure Agreement (the "Disclosure Agreement"), dated as of July 17, 2003, is executed and delivered by the City of Roseville (the "City") and BNY Western Trust Company, as dissemination agent (the "Dissemination Agent"), in connection with the delivery of \$8,240,000 City of Roseville Certificates of Participation, Series 2003B (1993 Golf Course Refunding) (the "Certificates"). The Certificates are being delivered pursuant to a Trust Agreement, dated as of July 1, 2003 (the "Trust Agreement"), by and among the City, the Roseville Finance Authority, and the Trustee. The City and the Dissemination Agent covenant as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the City and the Dissemination Agent for the benefit of the Owners and, Beneficial Owners of the Certificates and in order to assist the Participating Underwriters in complying with the Rule.

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

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

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

"Disclosure Representative" shall mean the Finance Director of the City or his or her designee, or such other officer or employee as the City shall designate in writing to the Dissemination Agent from time to time.

"Dissemination Agent" shall mean, initially, BNY Western Trust Company, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designed in writing by the City and which has been filed with the then current Dissemination Agent 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 purpose of the Rule.

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

"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.

"Tax-exempt" shall mean that interest on the Certificates is excluded from gross income for federal income tax purposes, whether or not such interest is includable as an item of tax preferences or otherwise includable directly or indirectly for purposes of calculating any other tax liability, including any alternative minimum tax or environmental tax.

SECTION 3. Provision of Annual Report.

(a) The City shall, or shall cause the Dissemination Agent by written direction to such Dissemination Agent to, not later than March 31 after the end of the City's fiscal year (which currently ends on June 30), commencing with the report for the fiscal year ending June 30, 2003 (due March 31, 2004), provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the City may be submitted separately from and later than the balance of the Annual Report if they are not available by the date required above for the filing of the Annual Report.

An Annual Report shall be provided at least annually notwithstanding any fiscal year longer than 12 calendar months. The City's fiscal year is currently effective from July 1 to the immediately succeeding June 30 of the following year. The City will promptly notify each Repository or the Municipal Securities Rulemaking Board and, in either case, the Trustee and the Dissemination Agent of a change in the fiscal year dates.

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to Repositories, the City shall provide the Annual Report to the Dissemination Agent. If by fifteen (15) Business Days prior to such date the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the City of such failure to receive the report. The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent may conclusively rely upon such certification of the City and shall have no duty or obligation to review such Annual Report.

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

(d) The Dissemination Agent shall:

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

(ii) promptly after receipt of the Annual Report, file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 4. Content of Annual Reports. The City's Annual Report shall contain or include by reference:

(a) The audited financial statements of the City for the most recent fiscal year of the City then ended. If the City prepares audited financial statement and if the audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain any unaudited financial statements of the City in a format similar to the financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available. Audited financial statements of the City shall be audited by such auditor as shall then be required or permitted by State law or the Trust Agreement. Audited financial statements, if prepared by the City, shall be prepared in accordance with generally accepted accounting principles as prescribed for governmental units by the Governmental Accounting Standards Board; provided, however, that the City may from time to time, if required by federal or state legal requirements, modify the basis upon which its financial statements are prepared. In the event that the City shall modify the basis upon which its financial statements are prepared, the City shall provide a notice of such modification to each Repository, including a reference to the specific federal or state law or regulation specifically describing the legal requirements for the change in accounting basis.

(b) The Annual Report shall contain or incorporate by reference the following information:

(i) the principal amount of Certificates outstanding as of June 30 preceding the filing of the Annual Report;

(ii) the balance in the Reserve Fund created under the Trust Agreement as of June 30 preceding the filing of the Annual Report; and

(iii) to the extent not included in the annual financial statements of the City, updates as of June 30 preceding the filing of the Annual Report of the substance of the information contained in following tables in the Official Statement:

(1) City Budget for the fiscal year reported;

(2) Assessed Value of All Taxable Property in the City for the fiscal year reported; and

(3) Property Tax Levies and Collections in the City for the most recent fiscal year for which such information is available.

(c) Any or all of the items listed in (a) or (b) above may be included by specific reference to other documents, including the City's Annual Financial Report ("Annual Financial Report") and official statements of debt issues of the City or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission (the information in (b)(iii) above is currently expected to be in the City's Annual Financial Report and no reference to such information need be made so long as it appears in the Annual Financial Report). 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 Certificates, if material:

- (1) principal and interest payment delinquencies;
- (2) non payment related defaults;
- (3) unscheduled draws on the Reserve Fund reflecting financial difficulties;
- (4) unscheduled draws on any credit enhancements securing the Certificates reflecting financial difficulties;
- (5) any change in the provider of any letter of credit or any municipal Certificate insurance policy securing the Certificates or any failure by the providers of such letters of credit or municipal Certificate insurance policies to perform on the letter of credit or municipal Certificate insurance policy;
- (6) adverse tax opinions or events adversely affecting the tax-exempt status of the Certificates;
- (7) modifications to the rights of Certificate Owners;
- (8) unscheduled redemption of any Certificate;
- (9) defeasances;
- (10) any release, substitution, or sale of property securing repayment of the Certificates; and
- (11) rating changes.

(b) The Dissemination Agent shall, promptly upon the obtaining actual knowledge of the occurrence of any of the Listed Events, inform the City of the event, and request that the City promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (f). For purposes of this Disclosure Agreement, "actual knowledge" of the occurrence of such Listed Events shall mean actual knowledge by an employee of the Dissemination Agent with regular responsibility for the administration of matters related to this Continuing Disclosure Agreement.

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

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

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

(f) If the Dissemination Agent has been instructed by the City to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with (1) the Municipal Securities Rulemaking Board or (2) each National Repository, and in either case, to each State Repository. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (a)(9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Owners of affected Certificates pursuant to the

Trust Agreement. In each case of the Listed Event, the Dissemination Agent shall not be obligated to file a notice as required in this subsection (f) prior to the occurrence of such Listed Event.

(g) The City hereby agrees that the undertaking set forth in this Disclosure Agreement is the responsibility of the City and that the Dissemination Agent shall not be responsible for determining whether the City's instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

SECTION 6. Termination of Reporting Obligation. The obligation of the City and the Dissemination Agent under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Certificates. If such termination occurs prior to the final maturity of the Certificates, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5.

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 the Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent. The initial Dissemination Agent shall be BNY Western Trust Company. The Dissemination Agent may resign by providing (i) thirty days written notice to the City and the Trustee and (ii) upon appointment of a new Dissemination Agent hereunder.

SECTION 8. Amendment. (a) This Disclosure Agreement may be amended, by written agreement of the parties and the Participating Underwriters, if all of the following conditions are satisfied: (1) this Disclosure Agreement as so amended complies with the requirements of the Rule, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (2) the City shall have delivered to the Trustee an opinion of a nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the City and the Trustee, to the same effect as set forth in clause (1) above, and (3) the City shall have delivered copies of such amendment to each Repository.

(b) To the extent any amendment to this Disclosure Agreement results in a change in the type of financial information or operating data provided pursuant to this Disclosure Agreement, the first Annual Report provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the City shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice if occurrence of a Listed Event.

The City acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule IOB-5 promulgated under the Securities Exchange Act of 1934, may apply to the City, and that under some circumstances compliance with this Disclosure Agreement, without additional disclosures or other action, may not fully discharge all duties and obligations of the City under such laws.

SECTION 10. Default. In the event of a failure of the City or the Dissemination Agent to comply with any provision of this Disclosure Agreement, any Owner or Beneficial Owner of the Certificates may take such actions as may be necessary and appropriate, including seeking mandate if or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the City to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. Article VIII of the Trust Agreement is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Trust Agreement and the Dissemination Agent shall be entitled to the same protections, limitations from liability and indemnities hereunder as are afforded the Trustee thereunder. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the City agrees to indemnify and save the Dissemination Agent and 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 their powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to them hereunder. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Certificates. No person shall have any right to commence any action against the Dissemination Agent seeking any remedy other than to compel specific performance of this Disclosure Agreement. The Dissemination Agent shall not be liable under any circumstances for monetary damages to any person for any breach under this Disclosure Agreement.

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

SECTION 13. Notices. Notices should be sent in writing to the following addresses: The following information may be conclusively relied upon until changed in writing.

Disclosure Representative: Finance Director
City of Roseville
311 Vernon Street
Roseville, California 95678

Dissemination Agent: BNY Western Trust Company
Corporate Trust Department
550 Kearney Street, Suite 600
San Francisco, California 94108
Ref: City of Roseville 2003 COP

SECTION 14. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall constitute but one and the same instrument.

Date: July 17, 2003

CITY OF ROSEVILLE

By: _____
Finance Director

BNY WESTERN TRUST COMPANY,
as Dissemination Agent

By: _____
Authorized Officer

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Obligated Person: City of Roseville

Name of Certificate Issue: Certificates of Participation, Series 2003B
(1993 Golf Course Refunding)

Date of Issuance: July 17, 2003

NOTICE IS HEREBY GIVEN that the City of Roseville has not provided an Annual Report with respect to the above-named Certificates. The City anticipates that the Annual Report will be filed by _____.

Dated: _____

BNY Western Trust Company,
as Dissemination Agent

cc: City of Roseville

APPENDIX G

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 Certificates, payment of principal, interest and other payments on the Certificates to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Certificates 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 Certificates (the "Issuer") nor the trustee or fiscal agent appointed with respect to the Certificates (the "Trustee") 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 Certificates, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Certificates, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Certificates, 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.

DTC and its Participants. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Certificates. The Certificates 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 security certificate will be issued for each maturity of the Certificates, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 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, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (respectively, "NSCC", "GSCC", "MBSCC", 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.

Book-Entry Only System. Purchases of the Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Security ("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 Certificates 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 the Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates 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 the Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates 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.

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 the Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of the Certificates may wish to ascertain that the nominee holding the Certificates 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 notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all of the Certificates within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Certificates unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the 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 Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of, premium, if any, and interest evidenced by the Certificates 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 the Issuer or the Trustee, 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), the Issuer or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of, premium, if any, and interest evidenced by the Certificates to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Trustee, 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.

DTC may discontinue providing its services as depository with respect to the Certificates at any time by giving reasonable notice to the Issuer or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

Discontinuance of DTC Services. In the event that (a) DTC determines not to continue to act as securities depository for the Certificates, or (b) the Issuer determines that DTC will no longer so act and delivers a written certificate to the Trustee to that effect, then the Issuer will discontinue the Book-Entry Only System with DTC for the Certificates. If the Issuer determines to replace DTC with another qualified securities depository, the Issuer will prepare or direct the preparation of a new single separate, fully registered Bond for each maturity of the Certificates registered in the name of such successor or substitute securities depository as are not inconsistent with the terms of the indenture or fiscal agent agreement executed in connection with the Certificates. If the Issuer fails to identify another qualified securities depository to replace the incumbent securities depository for the Certificates, then the Certificates will no longer be restricted to being registered in the Bond registration books in the name of the incumbent securities depository or its nominee, but will be registered in whatever name or names the incumbent securities depository or its nominee transferring or exchanging the Certificates designates.

If the Book-Entry Only System is discontinued, the following provisions would also apply: (i) the Certificates will be made available in physical form, (ii) principal of, and redemption premiums, if any, on, the Certificates will be payable upon surrender thereof at the corporate trust office of the Trustee, (iii) interest on the Certificates will be payable by check mailed by first-class mail or, upon the written request of any Owner of \$1,000,000 or more in aggregate principal amount of Certificates received by the Trustee on or prior to the 15th day of the calendar month immediately preceding the interest payment date, by wire transfer in immediately available funds to an account with a financial institution within the continental United States of America designated by such Owner, and (iv) the Certificates will be transferable and exchangeable as provided in the indenture or fiscal agent agreement executed in connection with the Certificates.

Risks of Book-Entry System. The City makes no assurance, and the City will incur no liability, regarding the fulfillment by DTC of its obligations under the book-entry system with respect to the Certificates.

In addition, Beneficial Owners of the Certificates may experience some delay in their receipt of distributions of principal and interest with respect to the Certificates since such distributions will be forwarded by the Trustee to DTC and DTC will credit such distributions to the accounts of the Direct Participants which will thereafter credit them to the accounts of the Beneficial Owners either directly or through Indirect Participants.

Since transactions in the Certificates can be effected only through DTC, Direct Participants, Indirect Participants and certain banks, the ability of a Beneficial Owner to pledge Certificates to persons or entities that do not participate in the DTC system, or otherwise to take actions in respect of such Certificates, may be limited due to lack of a physical certificate. Beneficial Owners will not be recognized by the City as registered owners of the Certificates, and Beneficial Owners will only be permitted to exercise the rights of registered owners indirectly through DTC and its Participants.