

NEW ISSUE-BOOK-ENTRY ONLY

\$109,775,000
SOUTH PLACER WASTEWATER AUTHORITY
WASTEWATER REVENUE BONDS
SERIES A

\$70,000,000
SOUTH PLACER WASTEWATER AUTHORITY
VARIABLE RATE DEMAND
WASTEWATER REVENUE BONDS
SERIES B

Date: *November 15, 2000, for the Series A Bonds*
Date of Delivery, for the Series B Bonds

Due: *November 1, as shown on the inside cover*

The South Placer Wastewater Authority Wastewater Revenue Bonds, Series A (the "Series A Bonds") are being issued as fixed rate bonds, and the South Placer Wastewater Authority Variable Rate Demand Wastewater Revenue Bonds, Series B (the "Series B Bonds" and together with the Series A Bonds, the "Bonds") are being issued as variable rate bonds in the Weekly Mode and will bear interest initially at the applicable Weekly Rate. The Bonds are being issued by the South Placer Wastewater Authority (the "Authority") pursuant to an Indenture of Trust, dated as of October 1, 2000 (the "Indenture"), between the Authority and U.S. Trust Company, National Association, as trustee (the "Trustee"), for the purpose of providing funds, together with other available moneys, (i) to finance the costs of construction of the Pleasant Grove Wastewater Treatment Plant (the "Pleasant Grove Plant"), including certain trunk sewers, recycled water lines and certain other related projects (collectively, the "Project"), which will benefit the City of Roseville ("Roseville"), the South Placer Municipal Utility District ("SPMUD") and the County of Placer ("Placer County") (collectively, the "Participants"), (ii) to fund a Reserve Account for the Bonds, and (iii) to pay costs of issuance of the Bonds, as more fully described herein.

The Bonds are payable solely from the Authority Revenues, consisting principally of payments from the Participants under the Funding Agreement, dated as of October 1, 2000 (the "Funding Agreement"), among the Authority and the Participants. Under the Funding Agreement, each Participant agrees to make payments of its Proportionate Share of Debt Service and its share of Regional Operation and Maintenance Costs in consideration for the provision by the Authority of wastewater treatment capacity. The obligation of each of the Participants to make its Proportionate Share of Debt Service is secured by a pledge of the Participant Net Revenues of the respective Systems of the Participants. The payment of Proportionate Share of Debt Service is an unconditional obligation of each of the Participants and is not subject to abatement. The obligation of the Participants to pay their Proportionate Share of Debt Service is a several, but not joint obligation, and there is no cross-collateralization of the Proportionate Share of Debt Service obligation among the Participants. The Authority may issue or incur additional Parity Bonds secured by Authority Revenues, subject to the terms and conditions of the Indenture, as more fully described herein, and each of the Participants may issue or incur additional Participant Parity Obligations secured by such Participant's Net Revenues, subject to the terms and conditions of the Funding Agreement, as more fully described herein.

Payment of principal of and interest on the Bonds when due will be guaranteed under a bond insurance policy to be issued concurrently with the delivery of the Bonds by Financial Guaranty Insurance Company, doing business in California as FGIC Insurance Company. See "BOND INSURANCE" and APPENDIX K -- "SPECIMEN MUNICIPAL BOND INSURANCE POLICY."



FGIC is a registered service mark used by Financial Guaranty Insurance Company, a private company not affiliated with any U.S. Government agency.

FGIC Securities Purchase, Inc. ("FGIC-SPI") will provide liquidity in connection with tenders and remarketing of the Series B Bonds pursuant to a Standby Bond Purchase Agreement, dated December 7, 2000 (the "Standby Bond Purchase Agreement"), between the Trustee and FGIC-SPI. See "STANDBY BOND PURCHASE AGREEMENT." FGIC-SPI has filed with the Securities and Exchange Commission a Prospectus Supplement dated November 28, 2000 (the "Prospectus Supplement") relating to the Standby Bond Purchase Agreement supplementing a Prospectus relating to standby bond purchase contracts generally. This Official Statement does not constitute an offer to sell the Series B Bonds unless this Official Statement is accompanied by a copy of the Prospectus Supplement.

Interest on the Series A Bonds is payable semiannually on May 1 and November 1 of each year, commencing May 1, 2001. Interest on the Series B Bonds, while outstanding in the Weekly Mode, is payable on the first Business Day of each month, commencing January 4, 2001, and each succeeding Interest Payment Date for the Series B Bonds until maturity or prior redemption, as more fully described herein. The Bonds are being issued in fully registered form, 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 Bonds. Individual purchases will be made in book-entry form only in denominations of \$5,000 or any integral multiple thereof, with respect to the Series A Bonds, and in denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof, with respect to the Series B Bonds while outstanding in the Weekly Mode. Purchasers will not receive certificates representing their beneficial ownership interest in the Bonds purchased. See APPENDIX F -- “BOOK-ENTRY SYSTEM” herein.

The Bonds are subject to optional, mandatory and extraordinary redemption prior to maturity and, with respect to the Series B Bonds, conversion to a Daily Mode, a Flexible Mode, an Adjustable Long Mode or a Fixed Mode and optional and mandatory purchase prior to maturity, as more fully described herein.

THE BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE AUTHORITY AND ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF, OR CHARGE OR LIEN UPON, ANY PROPERTY OF THE AUTHORITY OR ANY OF ITS INCOME OR RECEIPTS, EXCEPT THE AUTHORITY REVENUES. NEITHER THE FULL FAITH AND CREDIT OF THE AUTHORITY OR THE PARTICIPANTS IS PLEDGED FOR THE PAYMENT OF THE INTEREST ON OR PRINCIPAL OF OR REDEMPTION PREMIUMS, IF ANY, ON THE BONDS, AND NO TAX OR OTHER SOURCE OF FUNDS OTHER THAN THE AUTHORITY REVENUES IS PLEDGED TO PAY THE INTEREST ON OR PRINCIPAL OF OR REDEMPTION PREMIUMS, IF ANY, ON THE BONDS. THE PAYMENT OF THE INTEREST ON OR PRINCIPAL OF OR REDEMPTION PREMIUMS, IF ANY, ON THE BONDS DOES NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE AUTHORITY OR ANY PARTICIPANT FOR WHICH ANY SUCH ENTITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH ANY SUCH ENTITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

This cover page contains certain information for quick reference only and is not a summary of the issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. See “RISK FACTORS” herein for a description of certain of the risks associated with an investment in the Bonds.

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, 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 Bond Counsel, such interest is exempt from California personal income taxes. See “TAX MATTERS” herein.

The Bonds will be offered when, as and if issued and received by the Underwriters, subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Authority by Hyde, Miller, Owen & Trost, A Professional Corporation, Sacramento, California, for the Participants by their respective counsels and for the Underwriters by Orrick, Herrington & Sutcliffe LLP, San Francisco, California. It is expected that the Bonds in definitive form will be available for delivery to DTC in New York, New York on or about December 7, 2000.

With respect to the Series A Bonds:

MORGAN STANLEY DEAN WITTER
PaineWebber Incorporated Salomon Smith Barney Stone & Youngberg LLC

With respect to the Series B Bonds:

MORGAN STANLEY DEAN WITTER

November 28, 2000

MATURITY SCHEDULE FOR THE SERIES A BONDS

\$66,055,000 Serial Bonds

<u>Maturity (November 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>	<u>Maturity (November 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>
2001	\$ 1,915,000	3.800%	100%	2011	\$ 3,180,000	5.500%	4.620%
2002	2,200,000	3.900	3.930	2012	3,355,000	5.500	4.720
2003	2,285,000	4.000	100	2013	3,540,000	5.500	4.820
2004	2,375,000	4.000	4.050	2014	3,735,000	5.500	4.900
2005	2,470,000	4.125	4.150	2015	3,940,000	5.500	4.970
2006	2,575,000	4.200	100	2016	4,155,000	5.500	5.050
2007	2,680,000	4.250	100	2017	4,385,000	5.000	5.170
2008	2,795,000	4.250	4.330	2018	4,605,000	5.000	5.230
2009	2,915,000	4.375	4.430	2019	4,835,000	5.000	5.280
2010	3,040,000	4.500	4.530	2020	5,075,000	5.000	5.300

\$16,845,000 5.250% Term Bonds due November 1, 2023 -- Price: 97.907%

\$26,875,000 5.250% Term Bonds due November 1, 2027 -- Price: 97.326%

(plus accrued interest)

MATURITY SCHEDULE FOR THE SERIES B BONDS

\$70,000,000 Term Bonds Due November 1, 2035

All Series B Bonds Priced at 100%

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

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

The information set forth herein has been provided by the Authority and the Participants and other sources that are believed by the Authority and the Participants to be reliable. The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, its responsibility to investors under the federal securities law as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. The information and expression of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in affairs of the Authority or the Participants since the date hereof. This Official Statement, including any supplement or amendment hereto, is intended to be deposited with one or more repositories.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH MAY STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES A BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

FORWARD LOOKING STATEMENTS

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,” “project,” “budget” or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information under the caption “THE PROJECT,” in Appendix A – “ENGINEER’S REPORT” and in the projections of future operating results of the Participants in Appendices B-1, C-1 and D-1 attached hereto.

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

SOUTH PLACER WASTEWATER AUTHORITY

GOVERNING BOARD OF THE AUTHORITY

Bill Santucci, *Chair*
Claudia Gamar, *Vice-Chair*
Jerry Blackwell
Harry Crabb
Jim Williams

MANAGEMENT

Derrick Whitehead, *Executive Director*

SPECIAL SERVICES

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Jones Hall, A Professional Law Corporation
San Francisco, California

FINANCIAL ADVISOR

Public Financial Management
San Francisco, California

AUTHORITY COUNSEL

Hyde, Miller, Owen & Trost, A Professional Corporation
Sacramento, California

CONSULTING ENGINEER

Brown & Caldwell
Sacramento, California

TRUSTEE

U.S. Trust Company, National Association
San Francisco, California

REMARKETING AGENT

Morgan Stanley & Co. Incorporated
New York, New York

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OFFICIAL STATEMENT

\$109,775,000
SOUTH PLACER WASTEWATER AUTHORITY
WASTEWATER REVENUE BONDS
SERIES A

\$70,000,000
SOUTH PLACER WASTEWATER AUTHORITY
VARIABLE RATE DEMAND
WASTEWATER REVENUE BONDS
SERIES B

INTRODUCTION

General

The purpose of this Official Statement, which includes the cover page and appendices hereto, is to set forth certain information concerning the issuance and sale by the South Placer Wastewater Authority (the "Authority") of its Wastewater Revenue Bonds, Series A in the aggregate principal amount of \$109,775,000 (the "Series A Bonds") and its Variable Rate Demand Wastewater Revenue Bonds, Series B in the aggregate principal amount of \$70,000,000 (the "Series B Bonds"). The Series A Bonds and the Series B Bonds are collectively referred to herein as the "Bonds." All capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in APPENDIX G -- "CERTAIN DEFINITIONS."

The Bonds are being issued pursuant to an Indenture of Trust, dated as of October 1, 2000 (the "Indenture") between the Authority and U.S. Trust Company, National Association, as trustee (the "Trustee"). The Series A Bonds are being issued as fixed rate bonds. See "THE SERIES A BONDS." The Series B Bonds are being issued initially as variable rate bonds in the Weekly Mode and will bear interest at the applicable Weekly Rate. Thereafter, the Series B Bonds may be converted to a Daily Mode, a Flexible Mode, an Adjustable Long Mode or a Fixed Mode. See "THE SERIES B BONDS."

The Bonds are being issued for the purpose of providing funds, together with other available moneys, (i) to finance the costs of acquisition and construction of the Pleasant Grove Wastewater Treatment Plant (the "Pleasant Grove Plant"), including certain trunk sewers, recycled water lines and certain other related projects (collectively, the "Project"), which will benefit the City of Roseville (the "City" or "Roseville"), the South Placer Municipal Utility District (the "District" or "SPMUD") and the County of Placer ("Placer County") (collectively, the "Participants"), (ii) to fund a Reserve Account for the Bonds, and (iii) to pay costs of issuance of the Bonds, as more fully described herein. See "THE PROJECT." The Bonds will be issued in full conformity with the Constitution and the laws of the State of California (the "State"), including the Marks-Roos Local Bond Pooling Act of 1985, being Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State (the "Act").

The Project is being constructed to increase the regional wastewater treatment capacity available for continued growth and development within the service areas of the Participants in the southern part of the County of Placer. See APPENDIX E -- "GENERAL DEMOGRAPHIC INFORMATION CONCERNING THE COUNTY OF PLACER." Costs of the Project, including debt service on the Bonds, and any other Regional Wastewater Facilities constructed by the Authority, are required to be paid by the Participants pursuant to a Funding Agreement, dated as of October 1, 2000 (the "Funding Agreement"), among the Authority and the Participants. Regional Connection Fees imposed and collected by the Participants as a condition to the connection of new development to the Participants' wastewater collection systems (and an allocation of capacity at the Regional Wastewater Facilities) are intended and expected to be sufficient to pay debt service on the Bonds. A Rate Stabilization Fund has been established under the Funding Agreement to provide, among other things, a source of funds for the payment of debt service on the Bonds in the event of variations in the timing of development and collection of Regional Connection Fees. In the event the amount available to be drawn from a Participant's account in the Rate Stabilization Fund is not sufficient to pay such Participant's Proportionate Share of Debt Service (including because development is significantly slower than expected) such Participant may be obligated to pay all or a part of such amount from such Participant's Participant Net Revenues (derived principally from User Charges collected by such Participant from its wastewater customers).

The Authority

The Authority was created pursuant to a Joint Exercise of Powers Agreement For The South Placer Wastewater Authority, effective October 1, 2000, among the Participants. The Authority was created for the purpose of providing for the planning, financing, acquisition, ownership, construction and operation of the Pleasant Grove Plant, the Dry Creek Wastewater Treatment Plant (the “Dry Creek Plant”), any other regional treatment plants constructed by the Authority or any of the Participants in the future to facilitate wastewater collection, conveyance, treatment, recycling, discharge and disposal services collectively to all of the Participants, and all Related Regional Infrastructure (as defined in the Funding Agreement) (collectively, the “Regional Wastewater Facilities”). See “THE SOUTH PLACER WASTEWATER AUTHORITY.”

The Participants

The Participants have determined that their collective present and future needs for wastewater treatment require the construction of the Pleasant Grove Plant. The Pleasant Grove Plant is expected to have a capacity of 12 million gallons per day (“mgd”) average dry weather flow. See “THE PROJECT.” Accordingly, the Participants have created the Authority and will enter into the Funding Agreement in connection with the issuance of the Bonds, payments under which will secure the payment of the Bonds. See “SECURITY FOR THE BONDS.”

City of Roseville. Roseville is a charter city located in California’s Sacramento Valley with an estimated population of 74,100. Roseville started developing its own wastewater collection and treatment utility shortly after its incorporation as a city on April 10, 1909. Roseville owns and operates the Dry Creek Plant and has provided wastewater treatment for SPMUD and Placer County at the Dry Creek Plant pursuant to various contracts. The Dry Creek Plant has a capacity of 18 mgd average dry weather flow. Roseville will also manage the construction of the Pleasant Grove Plant and upon completion, will own and operate the Pleasant Grove Plant for the benefit of the Participants.

Roseville’s wastewater utility currently provides sewer service to 41,435 equivalent dwelling units within Roseville’s city limits. The wastewater service area of Roseville consists of approximately 31.6 square miles (or 20,224 acres), including approximately 1,098 acres of developed commercial land, 687 acres of developed industrial land and 308 acres of public land. For more information concerning Roseville and its wastewater utility, see APPENDIX B-1 -- “INFORMATION CONCERNING THE CITY OF ROSEVILLE WASTEWATER UTILITY” and APPENDIX B-2 -- “EXCERPTED PORTIONS OF THE CITY OF ROSEVILLE AUDIT.”

South Placer Municipal Utility District. SPMUD was established pursuant to the Municipal Utility District Act (California Public Utilities Code Sections 11501 et seq.) in 1956 under the original name of the Rocklin-Loomis Municipal Utility District. In 1987, SPMUD changed its name to the South Placer Municipal Utility District. SPMUD currently provides sewer collection service to a population of approximately 45,000, involving approximately 20,000 equivalent dwelling units. SPMUD services an area of approximately 23 square miles, involving the entire City of Rocklin, a major portion of the City of Loomis and certain unincorporated areas of Placer County (near Penryn). For more information concerning SPMUD and its wastewater system, see APPENDIX C-1 -- “INFORMATION CONCERNING THE SOUTH PLACER MUNICIPAL UTILITY DISTRICT” and APPENDIX C-2 -- “SOUTH PLACER MUNICIPAL UTILITY DISTRICT AUDIT.”

County of Placer. Placer County provides wastewater collection services to certain of its residents through a sewer maintenance district (“SMD No. 2”) and two county service areas (“CSA No. 2A” and “CSA No. 55”). SMD No. 2 was established in 1961, comprises 11.2 square miles and currently serves a population of approximately 16,000, involving 6,315 equivalent dwelling units. CSA No. 2A was established in 1963, comprises 2.3 square miles of industrial property, involving 763 equivalent dwelling units. CSA No. 55 was established in 1978, comprises 0.2 square miles and currently serves a population of approximately 500, involving 195 equivalent dwelling units. For more information regarding Placer County, SMD No. 2, CSA No. 2 and CSA No. 55, see APPENDIX D-1 -- “INFORMATION CONCERNING THE PROVISION OF WASTEWATER COLLECTION SERVICE TO CERTAIN AREAS WITHIN THE COUNTY OF PLACER” and APPENDIX D-2 -- “FINANCIAL INFORMATION CONCERNING CERTAIN OF THE COUNTY OF PLACER’S WASTEWATER ENTITIES.”

Sewer collection service is provided to other residents of Placer County through other sewer maintenance districts and county service areas, revenues from which are not in any way pledged under the Funding Agreement, the Indenture or involved in the repayment of the Bonds.

Security for the Bonds

The Bonds are payable solely from the Authority Revenues, consisting principally of payments from the Participants under the Funding Agreement. Under the Funding Agreement, each Participant agrees to make its Proportionate Share of Debt Service and its share of Regional Operation and Maintenance Costs in consideration for the provision by the Authority of wastewater treatment capacity. The obligation of each of the Participants to make its Proportionate Share of Debt Service is secured by a pledge of the Participant Net Revenues of the respective Systems of the Participants. The payment of Proportionate Shares of Debt Service is an unconditional obligation and is not subject to abatement. The obligation of the Participants to pay their Proportionate Share of Debt Service is a several, but not joint obligation, and there is no cross-collateralization of the Proportionate Share of Debt Service obligation among the Participants. See "SECURITY FOR THE BONDS."

THE BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE AUTHORITY AND ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF, OR CHARGE OR LIEN UPON, ANY PROPERTY OF THE AUTHORITY OR ANY OF ITS INCOME OR RECEIPTS, EXCEPT THE AUTHORITY REVENUES. NEITHER THE FULL FAITH AND CREDIT OF THE AUTHORITY OR THE PARTICIPANTS IS PLEDGED FOR THE PAYMENT OF THE INTEREST ON OR PRINCIPAL OF OR REDEMPTION PREMIUMS, IF ANY, ON THE BONDS, AND NO TAX OR OTHER SOURCE OF FUNDS OTHER THAN THE AUTHORITY REVENUES IS PLEDGED TO PAY THE INTEREST ON OR PRINCIPAL OF OR REDEMPTION PREMIUMS, IF ANY, ON THE BONDS. THE PAYMENT OF THE INTEREST ON OR PRINCIPAL OF OR REDEMPTION PREMIUMS, IF ANY, ON THE BONDS DOES NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE AUTHORITY OR ANY PARTICIPANT FOR WHICH ANY SUCH ENTITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH ANY SUCH ENTITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

Regional Connection Fees

The Participants will be required by the Funding Agreement to remit Regional Connection Fees to Roseville for deposit in the Rate Stabilization Fund described below. The Participants intend that their respective contributions of Regional Connection Fees will be sufficient to pay their Proportionate Share of Debt Service. To the extent required by the Funding Agreement and as described herein, if the Regional Connection Fees collected by any Participant are insufficient to pay its Proportionate Share of Debt Service, such Participant may be required to set User Charges for its System as described below under "Rate Covenant."

Rate Stabilization Fund

A Rate Stabilization Fund is required to be established pursuant to the Funding Agreement which will be maintained by Roseville on behalf of the Authority. The Rate Stabilization Fund will be held as one fund, with three separate accounts therein (one for each Participant), all of which, collectively, will constitute the Rate Stabilization Fund. Upon the issuance of the Bonds, Roseville, SPMUD and Placer County will deposit, respectively, \$43,983,490, \$20,455,926 and \$4,487,322 into such Participant's respective account in the Rate Stabilization Fund, which amounts constitute amounts on deposit for such purpose through June 30, 2000. Certain other amounts received on behalf of the Participants between July 1, 2000 and the date of issuance of the Bonds will also be deposited in the Participant's respective accounts in accordance with the Funding Agreement. Thereafter, each Participant will pay all Regional Connection Fees to Roseville for deposit into the Rate Stabilization Fund. Amounts on deposit in each Participant's account in the Rate Stabilization Fund are intended and expected to be sufficient to pay such Participant's Proportionate Share of Debt Service on the Bonds. To the extent that amounts on deposit in any of the Participant's account in the Rate Stabilization Fund are insufficient to pay such Participant's Proportionate Share of Debt Service, the other Participants' accounts within the Rate Stabilization Fund will pay the deficiency, subject to the terms and conditions of the Funding Agreement. See "SECURITY FOR THE BONDS -- Funding Agreement -- Rate Stabilization Fund; Regional Connection Fees" for a discussion of these terms.

The Rate Stabilization Fund may be used to pay: (1) Debt Service; (2) Bond Redemptions; (3) Capital Costs; (4) reimbursement to a Participant of funds, other than Regional Connection Fees, deposited by such Participant into the Debt Service Fund, the Reserve Account and the Rate Stabilization Fund, except to the extent such reimbursement would cause the balance of such Participant's account within the Rate Stabilization Fund to fall below its Sub-Minimum Level; (5) administrative and other expenses incurred by the Authority; and (6) any other legal expenditures. Amounts in the Rate Stabilization Fund are not pledged to pay debt service on the Bonds. Accordingly, there can be no assurance as to the future balances of the Rate Stabilization Fund or whether any amounts on deposit in the fund will be applied to pay debt service on the Bonds. See "SECURITY FOR THE BONDS -- Funding Agreement -- Rate Stabilization Fund; Regional Connection Fees."

Rate Covenant

Each Participant is required to fix, prescribe, revise, and collect User Charges for the services and facilities furnished by such Participant's System during each Fiscal Year, which are sufficient to yield Participant Net Revenues of such System at least equal to 110% of Rate Covenant Debt Service. Generally, in calculating Rate Covenant Debt Service, a deduction is made for transfers from the Rate Stabilization Fund to pay the Proportionate Share of Debt Service of the Participants. See "SECURITY FOR THE BONDS -- Funding Agreement --Rate Covenant."

Reserve Account

A Reserve Account will be established pursuant to the Indenture for the equal benefit of all outstanding Series A Bonds and Series B Bonds. Upon the issuance of the Bonds, there will be deposited into the Reserve Account from the proceeds of the Bonds an amount equal to \$11,845,649.96, which equals the Reserve Requirement. Amounts in the Reserve Account will be used solely for the purpose of making required deposits into the Debt Service Fund in the event that there is insufficient money available for such purpose. The Reserve Account may be funded from cash or from a Qualified Surety Bond pursuant to the Indenture. See "SECURITY FOR THE BONDS -- Reserve Account."

Parity Bonds

The Authority may issue or incur in the future additional Parity Bonds secured by Authority Revenues, subject to the terms and conditions of the Indenture, as more fully described herein. See "SECURITY FOR THE BONDS -- Additional Parity Obligations."

Participant Parity Obligations

Each of the Participants may issue or incur in the future additional Participant Parity Obligations payable from such Participant's Net Revenues, subject to the terms and conditions of the Funding Agreement, as more fully described herein. See "SECURITY FOR THE BONDS -- Funding Agreement -- Participant Parity Obligations Secured By Participant Net Revenues."

Bond Insurance

Concurrently with the issuance of the Bonds, Financial Guaranty Insurance Company, doing business in California as FGIC Insurance Company (the "Insurer") will issue a municipal bond insurance policy (the "Insurance Policy") with respect to the Bonds. The Insurance Policy will unconditionally guarantee the payment of the principal of and interest on the Bonds which has become due for payment, but is unpaid by reason of nonpayment by the Authority. See "BOND INSURANCE" and APPENDIX K -- "SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

Standby Bond Purchase Agreement

FGIC Securities Purchase, Inc., a Delaware corporation ("FGIC-SPI") will provide liquidity in connection with tenders and remarketing of the Series B Bonds pursuant to a Standby Bond Purchase Agreement, dated December 7, 2000 (the "Standby Bond Purchase Agreement"), between the Trustee and FGIC-SPI. See

“STANDBY BOND PURCHASE AGREEMENT.” *FGIC-SPI has filed with the Securities and Exchange Commission a Prospectus Supplement dated November 28, 2000 (the “Prospectus Supplement”) relating to the Standby Bond Purchase Agreement to a Prospectus relating to standby bond purchase agreements generally. This Official Statement does not constitute an offer to sell the Series B Bonds unless this Official Statement is accompanied by a copy of the Prospectus Supplement.*

Continuing Disclosure

The Authority and the Participants will covenant for the benefit of the holders and beneficial owners of the Series A Bonds to provide certain financial information and operating data by not later than 210 days following the end of the Authority’s and each Participant’s Fiscal Year (presently June 30) (the “Annual Reports”), commencing with the report for the Fiscal Year ended June 30, 2000, with respect to Roseville and Placer County, and the Fiscal Year ending June 30, 2001, with respect to the Authority and SPMUD, and the Authority will covenant to provide notices of the occurrence of certain enumerated events, if material. The Annual Reports and notices of material events will be filed with each Nationally Recognized Municipal Securities Information Repository (the “NRMSIRs”). The specific nature of the information to be contained in the Annual Reports and the notice of material events is set forth in APPENDIX J -- “FORMS OF CONTINUING DISCLOSURE UNDERTAKINGS FOR THE SERIES A BONDS” hereto. These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

While in the Daily Mode, the Weekly Mode or the Flexible Mode, the Series B Bonds are exempt from the continuing disclosure requirements of S.E.C. Rule 15c2-12(b)(5).

Other Matters

This introduction contains only a brief summary of certain of the terms of the Bonds being offered and a brief description of the Official Statement. All statements contained in this introduction are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of, provisions of the Constitution and laws of the State of California and any documents referred to herein do not purport to be complete and such references are qualified in their entirety by reference to the complete provisions. The capitalization of any word not conventionally capitalized, or otherwise defined herein, indicates that such word is defined in a particular agreement or other document and, as used herein, has the meaning given it in such agreement or document.

Additional Information

Copies of the Funding Agreement and the Indenture will be available for inspection at the offices of the Authority, and will be available upon request and payment of duplication costs from the Trustee.

THE SERIES A BONDS

General

The Series A Bonds will be dated as of November 15, 2000, will bear interest (computed on the basis of a 360-day year consisting of twelve 30-day months) at the rates per annum (payable semiannually on May 1 and November 1 in each year, commencing on May 1, 2001 (as used with respect to the Series A Bonds, each an “Interest Payment Date”) and will mature and become payable on November 1 in each of the years in the principal amounts set forth on the inside cover page hereof. The Series A Bonds will be issued as fully registered bonds in denominations of \$5,000 or any integral multiple of \$5,000. The Series A Bonds will be issued in book-entry form only and, when delivered, will be registered in the name of a nominee of The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Series A Bonds. So long as the Series A Bonds remain in book-entry form, payments of principal of and interest on the Series A Bonds will be made by the Trustee to DTC for subsequent credit to DTC Participants and disbursement to Beneficial Owners. For additional information concerning the book-entry system, see APPENDIX F attached hereto.

Redemption

Optional Redemption. The Series A Bonds maturing on or before November 1, 2010 are not subject to optional redemption prior to maturity. The Series A Bonds maturing on or after November 1, 2011 are subject to redemption prior to their respective maturity dates, at the option of the Authority, as a whole on any date, or in part in the order directed by the Authority and by lot within a maturity on any Interest Payment Date on or after November 1, 2010, from any source of available funds, at the following respective Redemption Prices (expressed as percentages of the principal amount of the Series A Bonds to be redeemed), plus accrued interest thereon to the date of redemption:

<u>Redemption Periods</u>	<u>Redemption Prices</u>
November 1, 2010 through October 31, 2011	101%
November 1, 2011 and thereafter	100

Mandatory Sinking Fund Redemption. The Series A Bonds maturing on November 1, 2023 are subject to mandatory redemption in part from Sinking Fund Installments to be made by the Authority on November 1, 2021 and on each November 1 thereafter up to and including November 1, 2023, at a Redemption Price equal to the principal amount thereof plus accrued interest, if any, to the redemption date without premium as follows:

<u>Sinking Fund Payment Date (November 1)</u>	<u>Principal Amount</u>
2021	\$5,330,000
2022	5,610,000
2023†	5,905,000

† Final Maturity

The Series A Bonds maturing on November 1, 2027 are subject to mandatory redemption in part from Sinking Fund Installments to be made by the Authority on November 1, 2024 and on each November 1 thereafter up to and including November 1, 2027, at a redemption price equal to the principal amount thereof plus accrued interest, if any, to the redemption date without premium, as follows:

<u>Sinking Fund Payment Date (November 1)</u>	<u>Principal Amount</u>
2024	\$6,210,000
2025	6,540,000
2026	6,880,000
2027†	7,245,000

† Final Maturity

Extraordinary Redemption. The Series A Bonds will also be subject to redemption as a whole on any date, or in part on any Interest Payment Date, pro rata among maturities, and by lot within a maturity, to the extent of the Net Proceeds of hazard insurance not used to repair or rebuild the Regional Wastewater Facilities or the Net Proceeds of condemnation awards received with respect to the Regional Wastewater Facilities to be used for such purpose pursuant to the Indenture, at a Redemption Price equal to the principal amount of the Bonds plus interest accrued thereon to the date fixed for redemption, without premium.

Notice. Unless waived by any Owner of Series A Bonds to be redeemed, notice of redemption of any Series A Bond will be mailed, by first class mail by the Trustee, not less than 30 nor more than 60 days prior to the date fixed for redemption, to the Owners of the Series A Bonds or portions thereof to be redeemed, at their addresses

appearing on the Bond Registration Books, but neither failure of any Owner to receive any such notice nor any immaterial defect contained therein will invalidate any of the proceedings taken in connection with such redemption.

Deposit of Money. At least one day prior to any redemption date, the Authority will deposit with the Trustee an amount of money sufficient to pay the Redemption Price of all the Bonds or portions of Bonds which are to be redeemed on that date.

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

Selection of Series A Bonds for Redemption. Whenever provision is made in the Indenture for the redemption of less than all of the Series A Bonds of a maturity, the Trustee will select the Series A Bonds to be redeemed from all Series A Bonds of such maturity or such given portion thereof not previously called for redemption, by lot. For purposes of such selection, the Trustee will treat each Series A Bond as consisting of separate \$5,000 portions and each such portion will be subject to redemption as if such portion were a separate Series A Bond.

Purchase of Series A Bonds in Lieu of Redemption. In lieu of redemption of Series A Bonds as described above under “Optional Redemption” or “Mandatory Sinking Fund Redemption,” amounts in the Redemption Account of the Debt Service Fund may also be used and withdrawn by the Trustee at any time, upon the Request of the Authority filed with the Trustee annually, for the purchase of Series A Bonds at public or private sale as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Debt Service Fund) as the Authority may in its discretion determine, but not to exceed the principal amount of such Series A Bonds plus the redemption premium applicable on the next ensuing optional redemption date. The Authority will, at the time of any such purchase, pay to the Trustee for deposit in the Debt Service Fund the amount of any deficiency in such Fund which may be caused by such purchase. All Series A Bonds purchased pursuant to the provisions of the Indenture will be cancelled.

Effect of Redemption. Notice of redemption having been given as provided in the Indenture and described above, the Series A Bonds or portions of Series A Bonds so to be redeemed will, on the redemption date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Authority will default in the payment of the Redemption Price) such Series A Bonds or portions of Series A Bonds will cease to have interest accrue thereon. Upon surrender of such Series A Bonds for redemption in accordance with such notice, such Series A Bonds will be paid by the Trustee at the Redemption Price. Installments of interest due on or prior to the redemption date will be payable as provided in the Indenture for payment of interest. Upon surrender for any partial redemption of any Bond, there will be prepared for the Owner a new Series A Bond or Series A Bonds of the same maturity in the amount of the unredeemed principal.

THE SERIES B BONDS

General

The Series B Bonds will be dated their date of delivery, will initially bear interest at the Weekly Rate (payable on the first Business Day of each calendar month, commencing on January 2, 2001) and will mature and become payable on November 1, 2035. The Series B Bonds will be issued as fully registered bonds in denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof. The Series B Bonds will be issued in book-entry form only and, when delivered, will be registered in the name of a nominee of DTC, which will act as securities depository for the Series B Bonds. So long as the Series B Bonds remain in book-entry form, payments of principal and interest with respect to the Series B Bonds will be made by the Trustee to DTC for subsequent credit to DTC Participants and disbursement to Beneficial Owners. For additional information concerning the book-entry system, see APPENDIX F attached hereto.

Until changed as described under the section “Rate Periods and Modes” below, the Series B Bonds will be in a Weekly Mode and will bear interest at the applicable Weekly Rate. Thereafter, the Series B Bonds may be converted to a Daily Mode, a Flexible Mode, an Adjustable Long Mode or a Fixed Mode. The Daily Mode, Weekly Mode and Flexible Mode (collectively, a “Short Mode”) are described below. For a description of the terms of the Series B Bonds while outstanding in the Adjustable Long Mode or a Fixed Mode, see APPENDIX H -- “SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL DOCUMENTS.”

Morgan Stanley & Co. Incorporated has been appointed as the initial remarketing agent (the “Remarketing Agent”) for the Series B Bonds and will serve in such capacity for a fee. The principal office of Morgan Stanley & Co. Incorporated is in New York, New York.

Summary of Short Modes

For each Short Mode, the Interest Payment Date and calculation method of interest, the Interest Payment Period, the Record Date, the dates of the Mode Adjustment Notice, the Optional Tender Notice, the Optional Tender Date, the Rate Determination Date, the Rate Change Date and the Rate Period will be determined in accordance with the Indenture, the pertinent provisions of which are summarized in the following chart (provisions regarding Series B Bonds held by FGIC-SPI are not included in the chart):

	<u>Daily Mode</u>	<u>Weekly Mode</u>	<u>Flexible Mode</u>
Interest Payment Date and Calculation Method	First Business Day of month, each Adjustment Date and maturity date; on actual days elapsed over 365/366 day year	First Business Day of month, each Adjustment Date and maturity date; on actual days elapsed over 365/366 day year	Rate Change Date, each Adjustment Date and maturity date; on actual days elapsed over 365/366 day year
Interest Payment Period	First Business Day of month through day before first Business Day of following month	First Business Day of month through day before first Business Day of following month	From each Interest Payment Date to and including the day immediately preceding the next succeeding Interest Payment Date
Record Date	Business Day preceding Interest Payment Date	Business Day preceding Interest Payment Date	Business Day preceding Interest Payment Date
Mode Adjustment Notice	Trustee to give Immediate Notice to owner not later than 15 days preceding Mode Adjustment Date	Trustee to give Immediate Notice to owner not later than 15 days preceding Mode Adjustment Date	None
Optional Tender Notice	Irrevocable telephonic (confirmed in writing) or written Tender Notice to Trustee, Tender Agent and Remarketing Agent, not later than 11:00 a.m., New York time, on any Business Day	Irrevocable written Tender Notice to Trustee not later than 5:00 p.m., New York time, on any Business Day	None
Optional Tender Date	Business Day specified in Optional Tender Notice	Business Day specified in Optional Tender Notice; at least seven days after receipt of Optional Tender Notice	None
Rate Determination	By 10:00 a.m., New York	By 4:00 p.m., New York time, each Wednesday or, if	By 12:00 noon, New York time, on the Business Day

	<u>Daily Mode</u>	<u>Weekly Mode</u>	<u>Flexible Mode</u>
Date and Time	time, each Business Day	Wednesday is not a Business Day, the immediately preceding Business Day	commencing the relevant Flexible Period
Rate Change Date and Rate Period	Each Business Day; effective through day preceding next Business Day	Thursday of each week or the Business Day immediately succeeding the Rate Determination Date; effective through the day immediately succeeding the next Rate Determination Date	Business Day commencing the relevant Flexible Period; effective through the day immediately preceding the next Rate Determination Date (not less than 7 nor more than 270 days)

Interest Periods and Payment Dates

Each Series B Bond will bear interest from the date of initial issuance and delivery thereof. Interest on the Series B Bonds will be payable on each Interest Payment Date with the first Interest Payment Date being January 1, 2001. Interest on the Series B Bonds in a Daily Mode or Weekly Mode will be equal to the interest accrued, at the Daily Rate or the Weekly Rate, as applicable, for the period from the later of (i) the first Business Day of each calendar month or (ii) the Adjustment Date for such Daily Mode or Weekly Mode to, but not including, the earlier of (a) the first Business Day of the next calendar month or (b) the Adjustment Date for the Interest Mode which succeeds such Daily Mode or Weekly Mode, as the case may be. Interest on each Series B Bond in a Flexible Mode will be equal to the interest accrued, at the Flexible Rate, from such Rate Change Date for such Series B Bonds to, but not including, the next succeeding Rate Change Date. The foregoing notwithstanding, no interest will accrue on any Series B Bond prior to its date of initial delivery or after the maturity thereof, or after the redemption date for such Series B Bond.

Interest Payment Dates will be (a) for each Series B Bond, each Adjustment Date (including, without limitation, a proposed Fixed Rate Conversion Date) therefor and the maturity date thereof, (b) for any Series B Bond in a Daily Mode or a Weekly Mode, the first Business Day of each calendar month, and (c) for any Series B Bond in a Flexible Mode, each Rate Change Date therefor.

Interest Rates

The Series B Bonds will bear interest, when in the Weekly Mode at the Weekly Rate, when in the Daily Mode, at the Daily Rate, and when in the Flexible Mode, at the Flexible Rate. The determination of the interest rate on the Series B Bonds as provided in the Indenture and as described herein will be conclusive and binding on the owner of the Series B Bonds, the Trustee and the Authority. At no time will the Series B Bonds bear interest at a rate higher than 12%.

Weekly Rate. No later than 4:00 p.m., New York time, on Wednesday of each week, or such other day of the week, designated as a Rate Determination Date by the Remarketing Agent as described below, or if such day is not a Business Day, then the immediately preceding Business Day, the Remarketing Agent will determine for the period commencing on the immediately succeeding Thursday and ending on the next succeeding Wednesday a fixed per annum interest rate to be borne by each Series B Bond bearing interest at the Weekly Rate. Except on an Adjustment Date, if the Weekly Rate is not determined by the Remarketing Agent on a Rate Determination Date, the rate of interest borne by such Series B Bonds bearing interest at the Weekly Rate will be equal to the BMA Municipal Index until the Remarketing Agent next determines the Weekly Rate as required under the Indenture. The Trustee will provide information regarding the Weekly Rate to any Holder of Series B Bonds on written request.

If at any time the Remarketing Agent determines, in its judgment, that the scheduled Rate Determination Dates or Rate Change Dates during a Weekly Mode have become inappropriate (taking into account general market practice with respect to periodic adjustment of rates on instruments comparable to the Series B Bonds bearing

interest at the Weekly Rate, whether based upon the time of compilation or reporting of any interest rate or financial index or indicator or otherwise), the Remarketing Agent may, after consultation with the Authority, designate new scheduled Rate Determination Dates and/or Rate Change Dates, to remain in effect until another redetermination of scheduled Rate Determination Dates or Rate Change Dates. Such change will become effective on the first scheduled Rate Determination Date or Rate Change Date, as the case may be, so designated occurring not less than 14 days following the giving of notice of such designation. Promptly upon receipt of such notice, the Trustee will notify or cause the Remarketing Agent to notify each affected Holder of Series B Bonds of such change in writing.

Daily Rate. No later than 10:00 a.m., New York time, on each Business Day during a Daily Mode, the Remarketing Agent will determine the rate to be borne by each Series B Bond bearing interest at the Daily Rate for such Business Day. Except on an Adjustment Date, if a Daily Rate is not determined by the Remarketing Agent, the rate of interest borne by such Series B Bond bearing interest at a Daily Rate will be equal to the BMA Municipal Index until the Remarketing Agent next determines the Daily Rate as required by the Indenture. The Trustee will provide information regarding the Daily Rate to any Holder of Series B Bonds on written request.

Flexible Rate. No later than 12:00 noon, New York time, on the Rate Determination Date for a Series B Bond bearing interest at the Flexible Rate, the Remarketing Agent will determine (a) the duration of the Rate Period for such Series B Bond by specifying the succeeding Rate Change Date (which will also be a succeeding Rate Determination Date) for such Series B Bond, which Rate Change Date will be no later than the Liquidity Facility Expiration Date, if a Liquidity Facility is required to be in place and (b) the Flexible Rate applicable to such Series B Bonds bearing interest at the Flexible Rate during the Rate Period. The last day of such Rate Period must be a Business Day and the day next succeeding such Business Day must also be a Business Day. Except on an Adjustment Date, if the Flexible Rate for any Series B Bond is not determined by the Remarketing Agent on any Rate Determination Date, such Series B Bond will bear interest at a Flexible Rate equal to the BMA Municipal Index for a Rate Period of the shortest possible duration until the Remarketing Agent next determines the Flexible Rate, as required under the Indenture.

The Rate Period during an Adjustment Period for any Flexible Mode will have a duration which is not less than seven days or more than 270 days. The Remarketing Agent will determine the duration of Rate Periods during a Flexible Mode as will, in the judgment of the Remarketing Agent, result in the lowest aggregate cost being payable by the Authority with respect to the Series B Bonds bearing interest at Flexible Rates, taking into account interest and any other determinable fees and expenses. The Remarketing Agent may establish different Rate Periods on the same Rate Change Date for Series B Bonds in the Flexible Mode in order to achieve an average duration of Rate Periods that, in the judgment of the Remarketing Agent, is most likely to achieve the lowest total aggregate cost being payable by the Authority with respect to such Series B Bonds, taking into account interest and any other determinable fees and expenses. The Remarketing Agent's determination will be based upon the market for, and the relative yields of, the Series B Bonds and other securities that bear interest at a variable rate or at fixed rates that, in the judgment of the Remarketing Agent, are otherwise comparable to the Series B Bonds, or any fact or circumstance relating to the Series B Bonds, affecting the market for the Series B Bonds or affecting such other comparable securities in a manner that, in the judgment of the Remarketing Agent, will affect the market for the Series B Bonds. Except on an Adjustment Date, in the event that the Rate Period for any Series B Bond in a Flexible Mode is not determined by the Remarketing Agent, the Rate Period for such Series B Bond will be a Rate Period of the shortest possible duration. The Trustee will provide information regarding the Flexible Rate and Rate Periods to any Holder of Series B Bonds on written request.

Rate Periods and Modes

The Modes are the Daily Mode, the Weekly Mode, the Flexible Mode, one or more Adjustable Long Modes and the Fixed Mode. All Series B Bonds in the Daily Mode will bear interest at the same interest rate and all Series B Bonds in the Weekly Mode will bear interest at the same interest rate. Series B Bonds operating in the Flexible Mode may evidence interest at different rates for different Rate Periods.

The Authority may designate a different Mode with respect to any Series B Bond during a Flexible Mode on any Rate Change Date, and on any Series B Bond during a Daily Mode or a Weekly Mode, on any Business Day. The Authority may establish different Modes and, within a Flexible Mode, the Remarketing Agent may establish different Rate Periods for Series B Bonds on the same Adjustment Date in order to achieve an average duration of

Rate Periods that, in the judgment of the Remarketing Agent, is most likely to achieve the lowest total aggregate cost payable by the Authority on the Series B Bonds, taking into account interest and any other determinable fees and expenses relating to such Series B Bonds. The Remarketing Agent's determination will be based upon the market for and the relative yields of the Series B Bonds and other securities that bear interest at a variable rate or at fixed rates that, in the judgment of the Remarketing Agent, are otherwise comparable to the Series B Bonds, or any fact or circumstance relating to the Series B Bonds or affecting the market for the Series B Bonds or affecting such other comparable securities in a manner that, in the judgment of the Remarketing Agent, will affect the market for the Series B Bonds. The Remarketing Agent, in its discretion, may consider such information and resources as it deems appropriate in making the determinations required by the Indenture, but the Remarketing Agent's determination will be based solely upon the Remarketing Agent's judgment, and the Remarketing Agent's determination will be conclusive and binding upon all parties.

If (i) the Remarketing Agent does not determine the interest rate applicable to the initial Rate Period during a new Interest Mode on any Series B Bond, or (ii) an Opinion of Special Counsel required with respect to a change in Mode of any Series B Bond is not delivered or reaffirmed on the applicable Adjustment Date, the immediately succeeding Mode on the Series B Bonds in the Mode then ending will be a Daily Mode with a Daily Rate established by the Remarketing Agent, or if the Remarketing Agent fails to set such Rate, such Daily Rate will be equal to the BMA Municipal Index.

The Authority will evidence such designation of a subsequent Mode and Adjustment Date for the Series B Bonds by giving written notice to the Trustee, the Tender Agent, the Remarketing Agent, FGIC-SPI, the Insurer and each Rating Agency then maintaining a rating on the Series B Bonds, specifying (i) the Interest Mode or Modes in which such Series B Bonds will operate during such Adjustment Period and the commencement date of such Adjustment Period and (ii) if such Mode is to be an Adjustable Long Mode, the duration of such Adjustment Period for each Series B Bond affected thereby, the Rate Determination Date or Dates, the Rate Change Date or Dates therefor and the applicable optional redemption provisions determined in accordance with the provisions of the Indenture; provided that (A) if such Adjustment Period is an Adjustable Long Mode or a Flexible Mode, the first day following such Rate Period therein must be a Business Day and (B) not later than the 20th day prior to the Adjustment Date with respect to the new Adjustment Period written evidence from each Rating Agency then maintaining a rating on such Series B Bonds that the then-current rating on such Series B Bonds will not be reduced or withdrawn due to the conversion of such Series B Bonds to an Adjustable Long Mode or Flexible Mode, as applicable. Upon receipt of such notice from the Authority, the Trustee, at least 15 days prior to each succeeding Adjustment Date, will give Immediate Notice to each owner of Series B Bonds thereby affected evidencing interest at a Daily Rate or a Weekly Rate of the mandatory tender for purchase of the affected Series B Bonds on the Adjustment Date.

Fixed Rate Conversion. On any Rate Change Date during a Flexible Mode, or on any Business Day during a Daily Mode or a Weekly Mode, at the direction of the Authority, the interest rate to be borne by all or, any portion of the Series B Bonds may be converted to a Fixed Rate, and such Series B Bonds so converted thereafter will bear interest at such Fixed Rate. Such direction of conversion will be accompanied by, among other things, (i) a firm underwriting or purchase contract from a recognized firm of underwriters or recognized institutional investors to underwrite or purchase all Series B Bonds which are to be converted on such Fixed Rate Conversion Date at a price of 100% of the principal amount thereof, (ii) if, following such conversion, any Series B Bonds will operate in a Short Mode, written confirmation from each Rating Agency then providing a rating on the Series B Bonds that the short-term rating on such Series B Bonds will not be withdrawn or reduced as a result of such partial conversion, and (iii) an Opinion of Special Counsel to the effect that such conversion (A) is authorized or permitted by the Indenture, (B) will not have an adverse effect on the exclusion from gross income for federal income tax purposes of the interest on the Series B Bonds, and (C) will not have an adverse effect on the validity or enforceability of any Series B Bond. The conversion of the interest rate borne by Series B Bonds to a Fixed Rate will not become effective unless, on the applicable Fixed Rate Conversion Date, the Trustee has received an Opinion of Special Counsel, dated the applicable Fixed Rate Conversion Date, reaffirming its earlier opinion.

At least 15 days prior to the Fixed Rate Conversion Date, the Trustee will give or cause the Remarketing Agent to give written notice of such election by the Authority to the registered owners of all Series B Bonds to be converted bearing interest at a Daily Rate or a Weekly Rate, which notice will state (i) the Fixed Rate Conversion Date and (ii) that such Series B Bonds will be subject to mandatory purchase on such Fixed Rate Conversion Date.

If the conversion of the interest rate on any Series B Bond does not occur for any reason, including if any condition precedent to the conversion has not occurred, such Series B Bond will bear interest from and after the proposed Fixed Rate Conversion Date in the same Mode as the Mode applicable to such Series B Bond prior to the proposed Fixed Rate Conversion Date and at the interest rate as calculated in the manner described under the sections “Interest Periods and Payment Dates” and “Interest Rates” above.

Tenders

General. The following information, including without limitation the manner of exercising mandatory and optional tender rights, is subject in its entirety to the provisions described in APPENDIX F attached hereto while the Series B Bonds are in the Book-Entry System.

Optional Tender. Each owner of any Series B Bond (other than a Provider Bond) during a Weekly Mode or a Daily Mode may demand that its Series B Bond be purchased, in whole (or in part in an Authorized Denomination), on any Demand Date therefor during the Weekly Mode or the Daily Mode, respectively, at a purchase price equal to the principal amount thereof plus accrued interest, if any, to the Demand Date.

To effect such purchase during a Weekly Mode, an owner must deliver, on a Business Day, to the Tender Agent an irrevocable written notice (which may be given by telecopy), which notice must be received by the Tender Agent and the Remarketing Agent not later than 5:00 p.m., New York time, on a Business Day in order to be effective on that day. Any notice received after 5:00 p.m., New York time, on a Business Day will be deemed given on the next succeeding Business Day. Such notice must specify (i) the principal amount and number of such Tendered Series B Bond, the name and address of such owner and the taxpayer identification number, if any, of such owner and (ii) the Demand Date on which such Tendered Series B Bond is to be purchased. Such Demand Date must be a Business Day not less than seven calendar days after the date such notice is received by the Trustee.

To effect such purchase during a Daily Mode, an owner must deliver, on a Business Day, to the Tender Agent, the Trustee and the Remarketing Agent irrevocable telephonic or written notice (which telephonic notice will be confirmed in writing and which written notice may be given by telecopy), which notice must be received not later than 11:00 a.m., New York time, on a Business Day in order to be effective on that date. Any notice received after 11:00 a.m., New York time, on a Business Day will be deemed given on the next succeeding Business Day. The Business Day on which any such notice is deemed given will be the Demand Date for the applicable Tendered Series B Bond. Such notice must specify the principal amount and number of such Tendered Series B Bond, the name and address of such owner and the taxpayer identification number, if any, of such owner.

Series B Bonds in a Flexible Mode are not subject to optional tender.

Mandatory Tender. Series B Bonds bearing interest in the Short Mode (other than Provider Bonds) are subject to mandatory tender by the owners thereof to the Trustee at its principal office on each date described below at a purchase price equal to 100% of the principal amount thereof plus accrued interest, if any, to the purchase date therefor (unless purchased on an Interest Payment Date):

(i) with respect to any Series B Bond bearing interest at a Flexible Rate, on each Rate Change Date for such Series B Bond other than the Rate Change Date which is the first day of a Flexible Mode applicable to such Series B Bond and on the Adjustment Date immediately following the last day of the Flexible Mode;

(ii) on each Adjustment Date, including, without limitation, a proposed Fixed Rate Conversion Date, applicable to any Series B Bonds which are proposed to be converted to a different Mode;

(iii) while a Standby Bond Purchase Agreement is required, on a Business Day no more than 15 days after the Trustee gives Immediate Notice to the owners of Series B Bonds (and in no event later than two Business

Days prior to the last day on which funds will be available under the Standby Bond Purchase Agreement) of the occurrence and continuation of a default under the Standby Bond Purchase Agreement; and

(iv) (a) on the Business Day immediately preceding the Credit Substitution Date of a Standby Bond Purchase Agreement if by the 20th day preceding the Credit Substitution Date, a notice of extension of the current Standby Bond Purchase Agreement or a commitment to deliver an Alternate Standby Bond Purchase Agreement has not been delivered or (b) on the Business Day immediately preceding the Credit Substitution Date unless each Rating Agency then providing a rating on such Series B Bonds confirms that such rating will not be withdrawn or reduced as the result of the delivery of such Alternate Standby Bond Purchase Agreement.

In the case of clauses (i) and (ii) above, the Series B Bonds that are the subject of such events are subject to mandatory tender. In the case of clauses (iii) and (iv), all Series B Bonds evidencing interest in the Short Mode are subject to mandatory tender (except to the extent set forth in clause (iv)(b)). An owner of a Series B Bond subject to mandatory tender may not elect to retain its Series B Bonds.

No notice will be given for a mandatory tender described in clause (i) above of Series B Bonds bearing interest at a Flexible Rate.

With respect to a mandatory tender described in clause (ii) above of Series B Bonds bearing interest at a Daily Rate or a Weekly Rate, not later than the 15th day next preceding the Adjustment Date with respect thereto, the Trustee is required to give Immediate Notice to the owners of such Series B Bonds stating the last day of the Adjustment Period then ending and that such Series B Bonds are required to be purchased on such Adjustment Date.

With respect to a mandatory tender described in clause (iii) above, all Series B Bonds bearing interest in the Short Mode are required to be purchased on a Business Day designated in the Immediate Notice referred to in clause (iii), no more than 15 days after the date of such Immediate Notice and at least one Business Day prior to the last day on which funds will be available under the Standby Bond Purchase Agreement.

With respect to a mandatory tender described in clause (iv)(a) above, not later than the 15th day preceding a Credit Substitution Date, the Trustee will give Immediate Notice to the owners of the Series B Bonds stating (i) the Credit Substitution Date and (ii) such Series B Bonds are required to be purchased on the Business Day prior to the Credit Substitution Date (unless each Rating Agency then providing a rating on such Series B Bonds confirms that such rating will not be withdrawn or reduced as the result of the delivery of such Alternate Standby Bond Purchase Agreement).

Purchase of Tendered Series B Bonds. On each date that the Series B Bonds are to be purchased pursuant to an optional or mandatory tender, the Trustee will purchase, but only from the funds listed below, such Series B Bonds from their owners at a purchase price equal to the principal amount of such Series B Bonds plus accrued interest, if any, to the date of purchase. Funds for the payment of such purchase price will be derived from the following sources in the order of priority indicated:

(i) proceeds from the sale of such Series B Bonds by the Remarketing Agent to the extent such funds are then available to the Trustee or the Paying Agent;

(ii) moneys received from the underwriter or purchaser of such Series B Bonds (other than the Authority) delivered pursuant to a remarketing;

(iii) moneys representing proceeds of a drawing by the Trustee under the Standby Bond Purchase Agreement; and

(iv) moneys received from the Authority constituting Eligible Moneys.

The Trustee is required to pay the purchase price of each Tendered Series B Bond to the registered owner of such Tendered Series B Bond by 4:00 p.m., New York time, on the purchase date, provided that such owner has delivered such Tendered Series B Bond with any necessary endorsements to the designated office of the Trustee no later than 1:00 p.m., New York time, on such date.

Redemption

Optional Redemption During Daily Mode or Weekly Mode. During any Daily Mode or Weekly Mode, the Series B Bonds in such Mode are subject to optional redemption prior to their maturity date, at the option of the Authority, from Eligible Moneys in whole or in part (and if in part in an Authorized Denomination) on any Business Day during such Daily Mode or Weekly Mode, as applicable, at a redemption price equal to 100% of the principal amount thereof plus accrued interest, if any, to the redemption date.

Optional Redemption During Flexible Mode. During any Flexible Mode, the Series B Bonds in such Mode are subject to optional redemption prior to their maturity date, at the option of the Authority, from Eligible Moneys, in whole or in part (and if in part in an Authorized Denomination) on any Rate Change Date therefor, at a redemption price of 100% of the principal amount thereof plus accrued interest, if any, to the redemption date.

Mandatory Sinking Fund Redemption. The Series B Bonds are subject to mandatory sinking fund redemption prior to maturity in part, by lot, at a redemption price of 100% of the principal amount thereof on November 1 of the years and in the amounts shown below, plus accrued interest to the redemption date, as set forth below:

<u>Year</u>	<u>Principal Amount</u>
2028	\$ 7,595,000
2029	7,900,000
2030	8,215,000
2031	8,545,000
2032	8,890,000
2033	9,245,000
2034	9,615,000
2035†	9,995,000

† Final Maturity

Extraordinary Redemption. The Series B Bonds will also be subject to redemption as a whole on any date, or in part on any Interest Payment Date, pro rata among maturities, and by lot within a maturity, to the extent of the Net Proceeds of hazard insurance not used to repair or rebuild the Regional Wastewater Facilities or the Net Proceeds of condemnation awards received with respect to the Regional Wastewater Facilities to be used for such purpose pursuant to the Indenture, at a Redemption Price equal to the principal amount of the Series B Bonds plus interest accrued thereon to the date fixed for redemption, without premium.

Redemption Procedures. No optional redemption of less than all of the Series B Bonds outstanding will be made unless the aggregate principal amount of Series B Bonds to be redeemed is equal to \$100,000 or integral multiples thereof. Any redemption of less than all of the Series B Bonds outstanding will be made in such a manner that all Series B Bonds outstanding after such redemption are in Authorized Denominations.

If less than all of the Series B Bonds are called for redemption under provisions of the Indenture permitting partial redemption, the particular Series B Bonds (or portions thereof) to be redeemed will be selected by the Authority, in the principal amount designated to the Trustee by the Authority, which designation is required to include the Interest Mode and maturity date of particular Series B Bonds to be redeemed, or as otherwise required by the Indenture, provided that (i) in the case of the redemption of less than all of the Series B Bonds which bear interest in the same Interest Mode at the same rate for the same Rate Periods, such redemption will be by lot in such manner as the Trustee may determine among such Series B Bonds and (ii) subject to other applicable provisions of the Indenture, the portion of any Series B Bond to be redeemed will be in a principal amount equal to an Authorized Denomination. In selecting Series B Bonds for redemption, the Trustee will treat each Series B Bond as representing that number of Series B Bonds which is obtained by dividing the principal amount of such Series B Bond by the minimum Authorized Denomination. If it is determined that one or more, but not all, of the integral

multiples of the Authorized Denomination of principal amount of any Series B Bond is to be called for redemption, then, upon notice of intention to redeem such integral multiple of Authorized Denomination, the owner of such Series B Bond will surrender such Series B Bond to the Trustee for payment to such owner of the redemption price of the integral multiple of the Authorized Denomination of principal amount called for redemption and deliver to such owner a new Series B Bond or Series B Bonds in the aggregate principal amount of the unredeemed balance of the principal amount of such Series B Bond. New Series B Bonds representing the unredeemed balance of the principal amount of such Series B Bond will be issued to the registered owner thereof without charge therefor.

Notice of Redemption. For a description of the giving of notices while the Series B Bonds are in the book-entry system, see APPENDIX F attached hereto. Whenever Series B Bonds are to be redeemed, the Trustee will give notice of the redemption of the Series B Bonds, which notice will specify, among other things, the redemption date, the redemption price, the place and manner of payment and that from the redemption date interest will cease to accrue on the Series B Bonds which are the subject of such notice. Except in the case of a mandatory sinking fund redemption, such notice will state that any redemption is conditional on such funds being deposited on the redemption date, and that failure to deposit such funds will not constitute an Event of Default under the Indenture. Notice of the redemption of Series B Bonds will be given by first class mail, postage prepaid, not less than 30 days or more than 60 days prior to the redemption date, to the registered owners of the Series B Bonds to be redeemed at their addresses as show on the Series B Bond Register. Prior to the date that the redemption notice is first given as aforesaid, funds will be placed with the Trustee to pay such Series B Bonds, any premium thereon, and accrued interest thereon to the redemption date, which moneys will be Eligible Moneys to the extent such payments are required to be made with Eligible Moneys. Additional redemption notices will be provided to national information services and Series B Bondholders who fail to present their Series B Bonds in a timely manner as provided in the Indenture. Failure to give notice in the manner described above or a defect in the notice as to any Series B Bond will not affect the validity of any proceedings for redemption as to any Series B Bond for which notice is properly given.

Effect of Redemption. Interest will not accrue after the redemption date on any Series B Bond called for redemption if notice has been given and if sufficient moneys (which in the case of any optional redemption will be Eligible Moneys) have been deposited with the Trustee to pay principal of, premium, if any, and interest with respect to such Series B Bonds to the redemption date.

SECURITY FOR THE BONDS

Pledge Under The Indenture

The Bonds are special limited obligations of the Authority payable solely from and secured solely by a pledge of Authority Revenues. Authority Revenues principally consist of certain payments made by the Participants pursuant to the Funding Agreement. See “Funding Agreement” below. Under the Indenture, the Authority assigns to the Trustee, for the benefit of the Owners of the Bonds (i.e., the Bonds and any Parity Bonds), the Authority Revenues which are required to be in an amount sufficient to pay the principal or Redemption Price of and interest on the Bonds in any Fiscal Year, together with all moneys on deposit in the Debt Service Fund, and such Authority Revenues are irrevocably pledged to the punctual payment of the principal or Redemption Price of and interest on the Bonds. The Authority Revenues are not permitted to be used for any other purpose while any of the Bonds remain Outstanding, except that out of the Authority Revenues there may be apportioned and paid such sums for such purposes, as are expressly permitted by the Indenture.

Flow of Funds Under The Indenture

The Authority will agree in the Indenture to deposit all the Authority Revenues received by it in the South Placer Wastewater Authority Wastewater Revenue Bonds Debt Service Fund (the “Debt Service Fund”) to be held in trust by the Trustee. The Trustee will agree in the Indenture to hold and maintain the Debt Service Fund and a Redemption Account and Reserve Account therein. On or before the second Business Day prior to each Interest Payment Date, beginning January 1, 2001, the Authority will deposit with the Trustee, or cause to be deposited with the Trustee, for deposit to the Debt Service Fund (i) an amount equal to the aggregate amount of interest to become due and payable on all Outstanding Bonds on the next succeeding Interest Payment Date, plus (ii) beginning on the

Second Business Day prior to November 1, 2001, an amount equal to the aggregate amount of Principal Payments (including any Sinking Fund Installments) becoming due and payable on all Outstanding Bonds on the next succeeding Principal Payment Date. All interest earnings and profits or losses on the investment of amounts in the Debt Service Fund will be deposited in or charged to the Debt Service Fund and applied to the purposes thereof. No transfer and deposit need be made into the Debt Service Fund if the amount contained therein, taking into account transfers therein made by the Authority from the Rate Stabilization Fund, investment earnings and profits, is at least equal to the Interest Requirement or Principal Payments to become due on the next Interest Payment Date or Principal Payment Date upon all Outstanding Bonds.

Reserve Account

The Indenture provides for the funding of the Reserve Account upon the issuance of the Bonds in an amount equal to the Reserve Requirement. The initial Reserve Requirement is equal to \$11,845,649.96 and will be funded with Bond proceeds. An amount equal to the Reserve Requirement in the form of either cash or Authorized Investments or a Qualified Surety Bond under the Indenture, for the account of the Reserve Account, will be maintained in the Reserve Account at all times. Any deficiency in the Reserve Account will be replenished from amounts paid by the Authority to the Trustee resulting from a late payment by a Participant under the Funding Agreement and amounts paid by the Authority to the Trustee from payments made by the Participants under the Funding Agreement as a result of a deficiency in the Reserve Account caused by investment losses on Authorized Investments held in the Reserve Account.

Under the Funding Agreement, the Participants agree that if amounts in the Reserve Account fall below the Reserve Requirement by reason of loss of value of Authorized Investments then on hand in the Reserve Account, the Participants will make up such loss, from Participants' Net Revenues. An Individual Participant is not obligated to replenish the Reserve Account if it has been depleted to make a payment on the Bonds as a result of another Participant's failure to make its payments under the Funding Agreement. In such case, the Reserve Account will be replenished solely by depositing to the Reserve Account the late payment made by the Participant which caused said draw on the Reserve Account.

"Reserve Requirement" is defined in the Indenture to mean an amount equal to the least of (i) Maximum Annual Debt Service on the Bonds; (ii) 10% of the original principal amount on the Bonds; or (iii) 125% of the Average Annual Debt Service on the Bonds. "Maximum Annual Debt Service" means, as of the date of calculation, the maximum amount of Debt Service for the current or any future Fiscal Year, or \$11,845,649.96. "Average Annual Debt Service" means the total aggregate Debt Service for the entire period during which the Bonds are Outstanding divided by the number of Fiscal Years or portions thereof during which the Bonds are Outstanding.

Additional Parity Obligations

In addition to the Bonds, the Authority may, under a Parity Bonds Instrument, issue or incur Parity Bonds and other loans, advances or indebtedness payable from the Authority Revenues, to provide financing for the Project and the Regional Wastewater Facilities, in such principal amount as will be determined by the Authority. Issuance of Parity Bonds is subject to the following conditions under the Indenture:

- (a) The Authority will be in compliance with all covenants set forth in the Indenture.
- (b) Each of the Participant's Net Revenues, calculated on sound accounting principles, as shown by the books of the Participants for the latest Fiscal Year or any more recent 12 month period selected by each Participant ending not more than 90 days prior to the adoption of the Parity Bonds Instrument pursuant to which such Parity Bonds are issued, as shown by the books of the Participants, plus, at the option of any Participant, any or all of the items designated in the following paragraph, will at least equal 110% of the sum of: (1) their Proportionate Share of Maximum Annual Debt Service, calculated in accordance with the Funding Agreement, with Maximum Annual Debt Service calculated on all Bonds to be Outstanding immediately subsequent to the issuance of such Parity Bonds which have a lien on the Authority Revenues, plus (2) Maximum Annual Debt Service on all Obligations which have a parity lien on each Participant's Net Revenues; provided, that in the event the Parity Bonds are to be issued solely for the purpose of refunding and retiring any Bonds or Parity Bonds then Outstanding,

interest and principal payments on the Bonds or Parity Bonds to be so refunded and retired from the proceeds of such Parity Bonds being issued will be excluded from the foregoing computation of Maximum Annual Debt Service.

The items which may be added to such Participant's Net Revenues for the purpose of issuing or incurring Parity Bonds under the Indenture are: (1) an allowance for earnings arising from each Participant's Net Revenues resulting from any increase in the Charges which has become effective prior to the incurring of such Parity Bonds but which, during all or any part of such Fiscal Year or such 12 month period, was not in effect, in an amount equal to the amount by which the Participant's Net Revenues would have been increased if such increase in Charges had been in effect during the whole of such Fiscal Year or such 12 month period, all as shown in the written report of an Independent Consultant engaged by the applicable Participant; and (2) an allowance for Participant Net Revenues from any additions or improvements to or extensions of a Participant System to be financed from the proceeds of such Participant's Parity Obligations or from any other source but in any case which, during all or any part of the most recent completed Fiscal Year for which audited financial statements are available or for any more recent 12 month period selected by a Participant were not in service, all in an amount equal to 75% of the estimated additional average annual Participant Net Revenues to be derived from such additions, improvements and extensions for the first 36 month period in which each addition, improvement or extension is respectively to be in operation, all as shown by the certificate or opinion of a qualified independent engineer employed by the Participant; (3) Regional Connection Fees collected by the Participants, in an amount equal to the greater of (i) Regional Connection Fees collected by such Participant in the prior 12 months; or (ii) the average annual amount of Regional Connection Fees collected by such Participant during the prior 36 months; and (4) Available Local Connection Fees collected by the Participants, in an amount equal to the greater of: (a) Available Local Connection Fees collected by such Participant in the prior 12 months; or (2) the average annual amount of Available Local Connection Fees collected by such Participant during the prior 36 months.

For purposes of the calculations made under the Indenture, Participants' Net Revenues will not include any draws made by the Authority from the Rate Stabilization Fund to pay Debt Service on the Bonds.

Funding Agreement

General.

The purpose and intent of the Funding Agreement is (1) to provide for the general allocation of Capital Costs among the Participants, (2) to provide for the allocation of the Participants' individual financial responsibility for the payment of Debt Service, (3) to provide for the Participants' use of the additional wastewater treatment capacity provided by the construction of new Regional Wastewater Facilities and (4) to provide assurance to the purchasers of the Bonds regarding the availability of Participant Net Revenues for the payment of Debt Service. Certain of the provisions of the Funding Agreement are described below. See APPENDIX H -- "SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL DOCUMENTS -- Funding Agreement" for a summary of other provisions of the Funding Agreement.

Pledge and Application of Participant Net Revenues.

Under the Funding Agreement, each Participant irrevocably pledges, charges and assigns to the Trustee, to assure the punctual payment of its Proportionate Share of Debt Service, all of its Participant Net Revenues and, except as otherwise may be permitted under the applicable Bond Documents, the Participant Net Revenues will not be used for any other purpose so long as any of its Proportionate Share of Debt Service remains unpaid. Such pledge, charge and assignment will constitute a senior lien on the Participant Net Revenues for the payment of each Participant's Proportionate Share of Debt Service in accordance with the terms of the Funding Agreement. To the extent a Participant's Proportionate Share of Debt Service is not paid in full from the Aggregate Rate Stabilization Fund Draw prior to any Interest Payment Date, such Participant will, on or before such Interest Payment Date, make a payment directly to the Trustee for deposit to the Debt Service Fund from its Participant Net Revenues to make up such deficiency.

The Funding Agreement defines "Net Revenues," with respect to each Participant as such Participant's Gross Revenues less such Participant's Operation and Maintenance Costs, for any period of calculation. "Gross Revenues" is defined by the Funding Agreement as all amounts received for, arising from and all other income and

revenues derived by a Participant from, the ownership or operation of such Participant's System and such Participant's use of Regional Wastewater Facilities, excluding Regional Connection Fees and Local Connection Fees other than Available Local Connection Fees. "Participant Operation and Maintenance Costs" is defined by the Funding Agreement as for any given period, the reasonable and necessary costs (both direct and incidental) of operating and maintaining the facilities which comprise a Participant's System during such period, as well as the Participant's share of Regional Operation and Maintenance Costs, calculated on sound accounting principles, including (among other things) the reasonable expenses of management and repair and other expenses necessary to maintain and preserve such facilities in good repair and working order, and reasonable amounts for administration, overhead, insurance, taxes (if any), labor, materials, water, electricity, natural gas, chemicals, employee bonds, vehicles, communications equipment, preventive maintenance, sludge disposal, environmental remediation, engineering services, analytical testing services, rents, right-of-way charges, recycled water operations costs, legal judgments and assessments, other support services, and other similar costs, but excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor, debt service and amortization of intangibles or other book-keeping entries of a similar nature.

Deposit of Gross Revenues Into Enterprise Funds; Transfers to Make Payments. Each Participant will deposit its Gross Revenues immediately upon receipt, in its Enterprise Fund. Each Participant will pay out of Gross Revenues the Participant Operation and Maintenance Costs. Each Participant will agree that all Participant Net Revenues will be held by such Participant in such Participant's Enterprise Fund in trust for the benefit of the Trustee and the owners of Bonds. In addition to the payment of such Participant's Proportionate Share of Debt Service, Participant Net Revenues will be applied to pay the amount of such Participant's Proportionate Share of any deficiency in the Reserve Fund caused by investment losses on investments held in the Reserve Fund, the notice of which deficiency will have been given by the Trustee to the Authority pursuant to the Indenture or any Parity Bonds Instrument.

Other Uses of Participant Net Revenues Permitted. The Participants will manage, conserve, and apply the Participant Net Revenues on deposit in their respective Enterprise Funds in such a manner that all deposits required to be made pursuant to the Funding Agreement and described in the preceding paragraph will be made at the times and in the amounts so required. Subject to the foregoing sentence, each Participant may use and apply monies in its Enterprise Fund for any other lawful purposes, so long as no Event of Default has occurred and is continuing with respect to that Participant's obligations under the Funding Agreement.

Budget and Appropriation of Proportionate Share of Debt Service. During the term of the Funding Agreement, for each current Fiscal Year, each Participant will adopt all necessary budgets and make all necessary appropriations of Rate Covenant Debt Service, from Participant Net Revenues, and will furnish to the Trustee a certificate stating that the amount of Rate Covenant Debt Service to be paid from Participant Net Revenues has been included in the final budget of such Participant for such current Fiscal Year. Such certificate for any Fiscal Year will be filed with the Trustee not later than September 1 in such Fiscal Year. In the event any Rate Covenant Debt Service payment requires the adoption by a Participant of any supplemental budget or appropriation, such Participant will promptly adopt the same.

Determination of Participant's Proportionate Shares.

Initially, each Participant's Proportionate Share shall be 54.17% for Roseville; 25.00% for SPMUD; and 20.83% for Placer County (the "Initial Percentages"). The Initial Percentages may be revised according to the terms of the Funding Agreement. See APPENDIX H -- "SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL DOCUMENTS -- Funding Agreement."

Rate Stabilization Fund; Regional Connection Fees.

The Rate Stabilization Fund will be established and maintained by Roseville on behalf of the Authority. The Rate Stabilization Fund will be held as one fund, with three separate accounts therein (one for each Participant), all of which, collectively, will constitute the Rate Stabilization Fund. Upon the issuance of the Bonds, Roseville, SPMUD and Placer County will deposit, respectively, \$43,983,490, \$20,455,926 and \$4,487,322 into Roseville's, SPMUD's and Placer County's respective accounts in the Rate Stabilization Fund, which amounts constitute amounts on deposit for such purpose through June 30, 2000. Certain other amounts received on behalf of the

Participants between July 1, 2000 and the date of issuance of the Bonds will also be deposited in the Participant's respective accounts in accordance with the Funding Agreement. Thereafter, each Participant will pay all Regional Connection Fees to Roseville for deposit into the Rate Stabilization Fund.

The Rate Stabilization Fund will be used to pay: (1) Debt Service; (2) Bond Redemptions; (3) Capital Costs; (4) reimbursement to a Participant of funds, other than Regional Connection Fees, deposited by such Participant into the Debt Service Fund, the Reserve Account, and the Rate Stabilization Fund, except to the extent such reimbursement would cause the balance of such Participant's account within the Rate Stabilization Fund to fall below its Sub-Minimum Level; (5) administrative and other expenses incurred by the Authority; and (6) any other legal expenditures.

It is the intent of the Participants that the Regional Connection Fees collected after the issuance of Bonds will be sufficient (i) to pay all Debt Service, (ii) to keep the Rate Stabilization Fund at or above the Minimum Level, (iii) to provide monies for additional expansions or modifications of, or improvements to, Regional Wastewater Facilities, and (iv) to meet state and federal regulatory requirements.

The Authority will, through the Regional Connection Fee recommendation process set forth in the Funding Agreement, attempt to maintain the Rate Stabilization Fund balance at or above the Minimum Level. Draws on the Rate Stabilization Fund will not cause the funds therein to fall below the Minimum Level, except as expressly provided in the Funding Agreement and described in the next paragraphs.

(1) So long as a draw on the Rate Stabilization Fund would not cause the balance therein to fall below the Minimum Level, the Rate Stabilization Fund will be fully available to pay Debt Service and any other legal expenditures, regardless of the amount of funds contained in a particular Participant's account within the Rate Stabilization Fund.

(2) In the event that a draw on the Rate Stabilization Fund would have the effect of causing the Rate Stabilization Fund balance to fall below the Minimum Level, and a draw on a Participant's account within the Rate Stabilization Fund would have the effect of causing the balance in such Participant's account within the Rate Stabilization Fund to fall below such Participant's Sub-Minimum Level, such draw on a Participant's account within the Rate Stabilization Fund will be limited, in each Fiscal Year, to an amount equal to the sum of: (A) one-third of the lesser of (I) such Participant's Sub-Minimum Level, and (II) the amount then on hand in such Participant's account within the Rate Stabilization Fund; plus (B) the amount then on hand in such Participant's account within the Rate Stabilization Fund in excess of such Participant's Sub-Minimum Level.

(3) In the event a Participant's (the "Underfunded Participant") account within the Rate Stabilization Fund is unable to pay all of its Proportionate Share of Debt Service, and the then-current draw on the Rate Stabilization Fund would not have the effect of causing the Rate Stabilization Fund balance to fall below the minimum level, the other Participants' (the "Paying Participants") accounts within the Rate Stabilization Fund will pay the unpaid portion of the Underfunded Participant's Proportionate Share of Debt Service. Such unpaid portion of the Underfunded Participant's Proportionate Share of Debt Service will be paid out of the Paying Participants' accounts within the Rate Stabilization Fund as follows:

(A) If there is only one Underfunded Participant, the Paying Participants' accounts within the Rate Stabilization Fund will cover the unpaid portion of the Underfunded Participant's Proportionate Share of Debt Service in proportion to the Paying Participants' relative Proportionate Shares.

(B) If there are two Underfunded Participants, the remaining Paying Participant's account within the Rate Stabilization Fund will cover the unpaid portion of both Underfunded Participant's Proportionate Shares of Debt Service.

(4) The Participants intend that no Paying Participant should be required to raise its User Charges, or take any other action under certain provisions of the Funding Agreement described under "Rate Covenant" below, by reason of the payment of all, or a portion of, an Underfunded Participant's (or Participants') Proportionate Share(s) of Debt Service out of the Paying Participant's account within the Rate Stabilization Fund. Within thirty (30) days after receipt of a written request from the Authority or any Paying Participant, the Authority and the

Participants shall meet and agree upon a repayment schedule for the Underfunded Participant(s) that will ensure that the parties' intent is given effect; provided that, in any event, Regional Connection Fees deposited in the Rate Stabilization Fund by an Underfunded Participant shall automatically be credited to the account(s) of the Paying Participant(s), up to the amount advanced by the Paying Participant(s), plus interest. In the event the parties are unable to agree on an appropriate repayment schedule, the matter may be referred to arbitration pursuant to the Funding Agreement. No Underfunded Participant shall be required to use funds other than Participant Net Revenues and Regional Connection Fees to make such payments to the Paying Participant's (or Participants') accounts within the Rate Stabilization Fund; provided, however, an Underfunded Participant may be required to use other funds available to such Underfunded Participant to repay any Regional Connection Fees deferred pursuant to the Funding Agreement.

For purposes of determining the sufficiency of amounts held in each Participant's account within the Rate Stabilization Fund, such Participant will receive a credit for amounts held by the Trustee and attributable to such Participant to pay its Proportionate Share of Debt Service.

Within 120 days after the end of each Fiscal Year, the Authority, or Roseville on behalf of the Authority, will contract for an independent audit of deposits to, and expenditures from, the Rate Stabilization Fund. The audit will identify the amounts deposited by each Participant and the expenditures attributable to each Participant's account, and determine the balance of each Participant's account within the Rate Stabilization Fund. The annual audit will be distributed to all Participants.

In the event amounts deposited into the Rate Stabilization Fund are insufficient to keep the balance thereof at or above the Minimum Level, and, in any event, not less than once every five (5) years, the Authority will reevaluate the Regional Connection Fee and recommend the minimum Regional Connection Fee that the Participants will charge. In recommending the minimum Regional Connection Fee, the Authority will consider all appropriate factors, including without limitation, the future Capital Costs, amount of Debt Service, the funding of the Rate Stabilization Fund, and the anticipated expansions or modifications of, or improvements to, Regional Wastewater Facilities. Each Participant will either (1) enact and enforce the minimum Regional Connection Fee, and any increases thereto, recommended by the Authority, within 120 days following receipt of notice thereof from the Authority, or (2) concurrently with the payment of Regional Connection Fees actually collected, pay to the Authority the difference between Regional Connection Fees actually collected and the amount that would have been collected (based on the same number of EDU's) had the Participant enacted and enforced the minimum Regional Connection Fee, and any increases thereto, recommended by the Authority. Nothing in the Funding Agreement will prohibit a Participant from adopting, for its own use, Local Connection Fees on connections within its individual service area in such amounts as it deems appropriate.

In the case of Roseville and Placer County, Regional Connection Fees will be paid upon the issuance of a building permit. In the case of the District, Regional Connection Fees will be paid upon the issuance of a wastewater system application permit. Each Participant may, in its sole discretion, allow for the deferral of Regional Connection Fees on a case-by-case basis, provided that such deferral does not cause any draw on the Rate Stabilization Fund to reduce the balance of such Participant's account within the Rate Stabilization Fund below such Participant's Sub-Minimum Level, and, provided further, that such Participant will pay the deferred Regional Connection Fees to the Authority with interest at the rate of return earned by the Rate Stabilization Fund during the period of deferral.

In addition to the annual audit of Rate Stabilization Fund deposits and expenditures required by the Funding Agreement, the Authority will retain an independent firm to conduct an audit of each Participant's Regional Connection Fee collection program within every five (5) years during the term of the Funding Agreement. In the event the audit determines that there is a deficit between Regional Connection Fees that should have been collected and transmitted by any Participant and Regional Connection Fees that were actually collected and transmitted, that Participant will pay the amount of the deficit to the Authority within a reasonable time as established by the Authority.

Rate Covenant.

Each Participant will fix, prescribe, revise, and collect User Charges during each Fiscal Year, which are at least sufficient, after making allowances for contingencies and error in the estimates, to yield Gross Revenues sufficient to pay the following amounts in the following order of priority:

(1) All Participant Operation and Maintenance Costs for each Participant to become due and payable in such Fiscal Year;

(2) The Participant's Rate Covenant Debt Service and the amount due from the Participant on any Participant Parity Obligations as they become due and payable during such Fiscal Year, without preference or priority, except to the extent such Rate Covenant Debt Service or such interest on Participant Parity Obligations are payable from proceeds of Bonds or Participant Parity Obligations deposited for such purpose;

(3) All amounts, if any, required to be contributed by such Participant to restore the balance in the Reserve Account to the full amount of the Reserve Requirement; and

(4) All payments required to meet any other obligations of such Participant which are charges, liens, encumbrances upon, or which are otherwise payable from, the Gross Revenues or the Participant Net Revenues during such Fiscal Year.

In addition, each Participant will fix, prescribe, revise, and collect User Charges during each Fiscal Year which are sufficient to yield Participant Net Revenues at least equal to 110% of Rate Covenant Debt Service.

The Funding Agreement defines "Rate Covenant Debt Service" to mean, as to each Participant, such Participant's Proportionate Share of Debt Service, less the sum of (a) such Participant's Individual Rate Stabilization Fund Draw, and (b) any amounts paid on behalf of such Participant pursuant to the Funding Agreement.

Covenants of the Participants.

Certain of the covenants of the Participants in the Funding Agreement are described below. See APPENDIX H -- "SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL DOCUMENTS -- Funding Agreement -- Covenants of the Participants" for additional information regarding the covenants of the Participants in the Funding Agreement.

Participant Parity Obligations Secured by Participant Net Revenues.

Each Participant may issue or incur Participant Parity Obligations, subject to the following specific conditions, which are made conditions precedent to the issuance and delivery of such Participant Parity Obligations:

(a) The Participant will be in compliance with all covenants set forth in the Funding Agreement.

(b) The Participant's Net Revenues, calculated on sound accounting principles, as shown by the books of the Participant for the latest Fiscal Year, or any more recent 12 month period selected by such Participant ending not more than 90 days prior to the adoption of the documentation pursuant to which such Participant Parity Obligations are issued, as shown by the books of the Participant, plus, at the option of the Participant, any or all of the items hereinafter in this paragraph designated, will at least equal 110% of the sum of (1) such Participant's Rate Covenant Debt Service, and (2) the maximum annual debt service on the Participant Parity Obligations to be issued, calculated in accordance with the requirements of the resolution, trust indenture, or installment sale agreement, adopted, entered into, or executed and delivered, by the Participant, and under which such Participant Parity Obligations are to be issued. The items which may be added to such Participants' Net Revenues for the purpose of issuing or incurring Participant Parity Obligations hereunder are:

(1) an allowance for earnings arising from such Participants' Net Revenues resulting from any increase in the User Charges which has become effective prior to the incurring of such Participant Parity

Obligations but which, during all or any part of such Fiscal Year or such 12 month period, was not in effect, in an amount equal to the amount by which such Participant's Net Revenues would have been increased if such increase in User Charges had been in effect during the whole of such Fiscal Year or such 12 month period, all as shown in the written report of an independent consultant engaged by such Participant;

(2) an allowance for Participant Net Revenues from any additions or improvements to or extensions of the Participant's System to be financed from the proceeds of such Participant Parity Obligations or from any other source but in any case which, during all or any part of the most recent completed Fiscal Year for which audited financial statements are available or for any more recent 12 month period selected by the Participant were not in service, all in an amount equal to 75% of the estimated additional average annual Participant Net Revenues to be derived from such additions, improvements and extensions for the first 36 month period in which each addition, improvement or extension is respectively to be in operation, all as shown by the certificate or opinion of a qualified independent engineer employed by the Participant; and

(3) Local Connection Fees collected by such Participant, in an amount equal to the greater of: (A) Local Connection Fees collected by such Participant during the prior 12 months, or (B) the average annual amount of Local Connection Fees collected by such Participant during the prior 36 months.

Additional Regional Wastewater Facilities.

Pursuant to the provisions of the Funding Agreement, Regional Connection Fees and other amounts in the Rate Stabilization Fund may also be used by the Authority to fund other expansions or modifications of, or improvements to, Regional Wastewater Facilities, subject to the prior written agreement of the Authority; provided, however, that at the time a decision is made to so use Regional Connection Fees, the Authority will reasonably determine the amounts to be withdrawn from each Participant's account within the Rate Stabilization Fund so as to give effect to the principle that the Participants' respective contributions to Capital Costs should be proportional to their usage of the wastewater treatment capacity made available by the construction of such Regional Wastewater Facilities.

Notwithstanding the foregoing, when the average daily inflows to the Dry Creek Plant or Pleasant Grove Plant reach 75% of actual total capacity of either plant, respectively, Roseville will begin the planning and design of the next expansion of the Pleasant Grove Plant or Dry Creek Plant, as appropriate. The payment of the cost of such planning, permitting and design will be made from the Regional Connection Fees on deposit in the Rate Stabilization Fund.

BOND INSURANCE

The following information has been furnished by the Insurer for use in this Official Statement. No representation is made by the Authority, the Participants, or the Underwriter as to the accuracy, completeness or adequacy of such information, or as to the absence of material adverse changes in the condition of the Insurer subsequent to the date hereof, including but not limited to a downgrade in the credit ratings of the Insurer. Reference is made to APPENDIX K for a specimen of the Insurer's municipal bond insurance policy.

Concurrently with the issuance of the Bonds, the Insurer will issue its Insurance Policy for the Bonds. The Insurance Policy unconditionally guarantees the payment of that portion of the principal of and interest on the Bonds which has become due for payment, but shall be unpaid by reason of nonpayment by the issuer of the Bonds (the "Issuer"). The Insurer will make such payments to State Street Bank and Trust Company, N.A., or its successor as its agent (the "Fiscal Agent"), on the later of the date on which such principal and interest is due or on the business day next following the day on which the Insurer shall have received telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from an owner of Bonds or the Trustee of the nonpayment of such amount by the Issuer. The Fiscal Agent will disburse such amount due on any Bond to its owner upon receipt by the Fiscal Agent of evidence satisfactory to the Fiscal Agent of the owner's right to receive payment of the principal and interest due for payment and evidence, including any appropriate instruments of assignment, that all of such owner's rights to payment of such principal and interest shall be vested in the Insurer. The term "nonpayment" in respect of a Bond includes any payment of principal or interest made to an owner of a

Bond which has been recovered from such owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

The Insurance Policy is non-cancellable and the premium will be fully paid at the time of delivery of the Bonds. The Insurance Policy covers failure to pay principal of the Bonds on their respective stated maturity dates or dates on which the same shall have been duly called for mandatory sinking fund redemption, and not on any other date on which the Bonds may have been otherwise called for redemption, accelerated or advanced in maturity, and covers the failure to pay an installment of interest on the stated date for its payment.

Generally, in connection with its insurance of an issue of municipal securities, the Insurer requires, among other things, (i) that it be granted the power to exercise any rights granted to the holders of such securities upon the occurrence of an event of default, without the consent of such holders, and that such holders may not exercise such rights without the Insurer's consent, in each case so long as the Insurer has not failed to comply with its payment obligations under its Insurance Policy; and (ii) that any amendment or supplement to or other modification of the principal legal documents be subject to the Insurer's consent. The specific rights, if any, granted to the Insurer in connection with its insurance of the Bonds are set forth in the description of the principal legal documents appearing elsewhere in this Official Statement. Reference should be made as well to such description for a discussion of the circumstances, if any, under which the Issuer is required to provide additional or substitute credit enhancement, and related matters.

This Official Statement contains a section regarding the ratings assigned to the Bonds and reference should be made to such section for a discussion of such ratings and the basis for their assignment to the Bonds. See "RATINGS" herein.

The Insurance Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

The Insurer is a wholly-owned subsidiary of FGIC Corporation (the "Corporation"), a Delaware holding company. The Corporation is a subsidiary of General Electric Capital Corporation ("GE Capital"). Neither the Corporation nor GE Capital is obligated to pay the debts of or the claims against the Insurer. The Insurer is a monoline insurer domiciled in the State of New York and subject to regulation by the State of New York Insurance Department. As of June 30, 2000, the total capital and surplus of the Insurer was approximately \$1.293 billion. The Insurer prepares financial statements on the basis of both statutory accounting principles and generally accepted accounting principles. Copies of such financial statements may be obtained by writing to the Insurer at 115 Broadway, New York, New York 10006, Attention: Communications Department (telephone number: 212-312-3000) or to the New York State Insurance Department at 25 Beaver Street, New York, New York 10004-2319, Attention: Financial Condition Property/Casualty Bureau (telephone number: 212-480-5187).

STANDBY BOND PURCHASE AGREEMENT

The following is a summary of certain provisions of the Standby Bond Purchase Agreement. This summary does not purport to be comprehensive. Reference should be made to the Standby Bond Purchase Agreement for its complete terms. Capitalized terms used under this heading not defined elsewhere in this Official Statement will have the meanings set forth in the Standby Bond Purchase Agreement.

The Purchase Price equal to the Principal Component and up to 34 days' accrued Interest Component at a maximum rate of 12% per annum on the Bonds tendered for purchase as described under the caption "THE SERIES B BONDS -- Tenders" and not remarketed will be made by FGIC-SPI, pursuant and subject to the terms of the Standby Bond Purchase Agreement. The Standby Bond Purchase Agreement will expire on the fifth (5th) anniversary of the Bonds unless terminated sooner or extended.

FGIC-SPI has filed with the Securities and Exchange Commission a Prospectus Supplement dated November 28, 2000 (the "Prospectus Supplement") relating to the Standby Bond Purchase Agreement to a Prospectus relating to standby bond purchase agreements generally (collectively, the "Prospectus"). A description of the Initial Liquidity Facility and certain information concerning FGIC-SPI (and the obligations of GE Capital to lend

sufficient moneys to FGIC-SPI to fulfill its obligations under the Standby Bond Purchase Agreement) is contained in the Prospectus. Delivery of this Official Statement in conjunction with the offering of the Series B Bonds may only be made in conjunction with the delivery of the Prospectus Supplement. Investors should also read the entire Prospectus to obtain information essential to the making of an informed investment decision. This Official Statement does not constitute an offer to sell the Series B Bonds unless the Official Statement is accompanied by the Prospectus Supplement.

THE PROJECT

Description of the Project

The Pleasant Grove Plant to be constructed with the proceeds of the Bonds will provide wastewater treatment service to the Participants. The Pleasant Grove Plant is expected to have a capacity of 12 mgd and will be owned by and operated by Roseville on behalf of the Participants. The proceeds of the Bonds will also be used for certain smaller related projects. The Authority expects to expand capacity in future years at either the Pleasant Grove Plant or the Dry Creek Plant to meet the needs of its service area. The Authority may finance such expansion with one or more Authority Parity Bond issues. See "SECURITY FOR THE BONDS -- Additional Parity Obligations."

Roseville will manage the construction of the Project. The Pleasant Grove Plant represents the majority of the capital needs of the Project. Of the \$169 million in total project cost, the Pleasant Grove Plant has a total cost of \$115 million with the construction cost for the Pleasant Grove Plant estimated at \$85.2 million. A summary of the total estimated costs and estimated project time frame of the components of the Project are set forth in APPENDIX A -- "ENGINEER'S REPORT." Some components of the Project set forth in APPENDIX A -- "ENGINEER'S REPORT" (having a total cost of approximately \$15 million) require further environmental review under the California Environmental Quality Act (California Public Resources Code Section 21000 *et seq.*) before proceeds of the Bonds will be committed to fund such components. Such components of the Project are not, however, preconditions to the construction and operation of the Pleasant Grove Plant or its related wastewater facilities. There can be no assurance that the timing or actual cost of the Project will not vary significantly from estimated timing or costs.

Contractor and Disputed Bid Process

On February 5, 2000, Roseville issued an "Invitation to Bid" for the construction of the Pleasant Grove Plant to a list of prequalified contractors with the capacity and expertise to adequately build the Project. Three of the prequalified contractors submitted sealed bids, which were opened on April 14, 2000. The apparent lowest responsible bidder was Kiewit Pacific Company ("Kiewit"), whose bid was \$85,260,000. The other two bidders' bids were \$93,220,000 and \$94,268,684.

Subsequent to the opening of the sealed bids, Kiewit claimed a mathematical error in its bid. According to Kiewit, its bid should have been \$4,049,704 higher, for a total bid of \$89,255,704. Kiewit requested that Roseville either relieve it from its original bid or award the contract to Kiewit at the "corrected" amount of \$89,255,704. The Roseville City Council declined both of those alternatives and instead awarded the contract to Kiewit at the original bid amount of \$85,260,000. Kiewit subsequently accepted the contract at the originally bid price, and has commenced work on the project.

On June 15, 2000, the next lowest bidder filed a lawsuit against Roseville and Kiewit. The lawsuit alleges that Roseville was bound, as a matter of law, to disqualify Kiewit from any further consideration under the contract once Kiewit notified Roseville that it had made a mistake in its bid. The lawsuit asks that Roseville's award of the project to Kiewit be nullified, and that the contract be awarded to the next lowest bidder.

The parties to the lawsuit stipulated to have a retired California Superior Court judge decide the case. The judge ruled in favor of the City on September 24, 2000. No assurance can be given that an appeal will not be filed.

Notice to proceed on construction of the project was issued on May 21, 2000. Kiewit is a subsidiary of Peter Kiewit Sons' which was founded 110 years ago. Kiewit is managing the Project with a staff of more than 10 engineers and superintendents.

Consulting Engineer's Report

Brown and Caldwell, Sacramento, California (the "Consulting Engineer") has prepared an Engineer's Report (the "Engineer's Report") which is attached hereto as APPENDIX A. The Engineer's Report addresses the need for the Project, the existing wastewater facilities and their operation and maintenance, the engineering and financial feasibility of the Project and the reasonableness of assumptions forming the basis of financial projections with respect to the Bonds prepared by Public Financial Management, the Authority's Financial Advisor.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds for the Bonds, excluding accrued interest, are as follows:

Sources:	
Par Amount of Series A Bonds	\$109,775,000.00
Par Amount of Series B Bonds	\$ 70,000,000.00
Less Net Original Issue Discount on the Series A Bonds:	<u>(\$ 490,305.05)</u>
Total Sources	<u>\$179,284,694.95</u>
Uses:	
Project Costs ⁽¹⁾	\$164,819,318.31
Costs of Issuance ⁽²⁾	\$ 2,619,726.68
Reserve Account	<u>\$ 11,845,649.96</u>
Total Uses	<u>\$179,284,694.95</u>

⁽¹⁾ See "THE PROJECT."

⁽²⁾ Includes legal, printing, rating, trustee and Authority fees, underwriting discount, bond insurance premium, liquidity facility fees and other miscellaneous costs of issuance.

DEBT SERVICE SCHEDULE

The following table sets forth the annual debt service on the Series A Bonds, the Series B Bonds and the amount of total debt service. See “SECURITY FOR THE BONDS -- Funding Agreement -- Determination of Participant’s Proportionate Shares” for information on the allocation of debt service to each Participant under the Funding Agreement.

Fiscal Year Ending (June 30)	<u>Series A Bonds</u>		<u>Series B Bonds</u>		Total <u>Debt Service</u>
	<u>Principal Payment</u>	<u>Interest</u>	<u>Principal Payment</u>	<u>Interest⁽¹⁾</u>	
2001		\$ 2,534,774.47		\$1,353,333.32	\$ 3,888,107.79
2002	\$ 1,915,000	5,460,716.26		2,799,999.96	10,175,716.22
2003	2,200,000	5,381,431.26		2,799,999.96	10,381,431.22
2004	2,285,000	5,292,831.26		2,799,999.96	10,377,831.22
2005	2,375,000	5,199,631.26		2,799,999.96	10,374,631.22
2006	2,470,000	5,101,187.51		2,799,999.96	10,371,187.47
2007	2,575,000	4,996,168.76		2,799,999.96	10,371,168.72
2008	2,680,000	4,885,143.76		2,799,999.96	10,365,143.72
2009	2,795,000	4,768,800.01		2,799,999.96	10,363,799.97
2010	2,915,000	4,645,640.63		2,799,999.96	10,360,640.59
2011	3,040,000	4,513,475.00		2,799,999.96	10,353,474.96
2012	3,180,000	4,357,625.00		2,799,999.96	10,337,624.96
2013	3,355,000	4,177,912.50		2,799,999.96	10,332,912.46
2014	3,540,000	3,988,300.00		2,799,999.96	10,328,299.96
2015	3,735,000	3,788,237.50		2,799,999.96	10,323,237.46
2016	3,940,000	3,577,175.00		2,799,999.96	10,317,174.96
2017	4,155,000	3,354,562.50		2,799,999.96	10,309,562.46
2018	4,385,000	3,130,675.00		2,799,999.96	10,315,674.96
2019	4,605,000	2,905,925.00		2,799,999.96	10,310,924.96
2020	4,835,000	2,669,925.00		2,799,999.96	10,304,924.96
2021	5,075,000	2,422,175.00		2,799,999.96	10,297,174.96
2022	5,330,000	2,155,387.50		2,799,999.96	10,285,387.46
2023	5,610,000	1,868,212.50		2,799,999.96	10,278,212.46
2024	5,905,000	1,565,943.75		2,799,999.96	10,270,943.71
2025	6,210,000	1,247,925.00		2,799,999.96	10,257,924.96
2026	6,540,000	913,237.50		2,799,999.96	10,253,237.46
2027	6,880,000	560,962.50		2,799,999.96	10,240,962.46
2028	7,245,000	190,181.25		2,799,999.96	10,235,181.21
2029			\$ 7,595,000	2,622,783.34	10,217,783.34
2030			7,900,000	2,311,866.66	10,211,866.66
2031			8,215,000	1,988,516.65	10,203,516.65
2032			8,545,000	1,652,216.69	10,197,216.69
2033			8,890,000	1,302,366.66	10,192,366.66
2034			9,245,000	938,483.34	10,183,483.34
2035			9,615,000	560,050.04	10,175,050.04
2036			9,995,000	166,583.35	10,161,583.35

⁽¹⁾ Assumes an interest rate on the Series B Bonds of 4.0%, which rate excludes remarketing and liquidity fees.

THE SOUTH PLACER WASTEWATER AUTHORITY

General

The Authority was created pursuant to a Joint Exercise of Powers Agreement For The South Placer Wastewater Authority effective October 1, 2000 (the “Joint Powers Agreement” or the “JPA”) among the Participants. The JPA was entered into pursuant to the provisions of Chapter 5 of Division 7 of Title 1 of the California Government Code (the “Joint Exercise of Powers Act”). The Authority was created for the purpose of providing for the planning, financing, acquisition, ownership, construction and operation of the Regional Wastewater Facilities. The JPA may be amended at any time by the written agreement of all the parties thereto; provided, however that while the Bonds are outstanding, the JPA may not be amended if such action would (1) materially and adversely affect (A) the rating on the Bonds or (B) the holders of the Bonds or (2) limit or reduce the obligations of the parties thereto to make, in the aggregate, the payments under the Funding Agreement. In addition, no Participant is permitted to withdraw from the Authority until all bonds or other instruments of indebtedness issued by the Authority have been paid in full.

Governance and Management

Pursuant to the JPA, the Authority will be administered by a board of directors (the “Board”) consisting of five directors. Two directors are appointed by the City, two directors are appointed by the County and one director is appointed by the District. One County-appointed director is required under the JPA to be a member of the County Board of Supervisors and represent a supervisorial district which includes all or a portion of the City. This director is also subject to confirmation by the City Council of the City. The members of the Board of Directors are listed on the inside cover of this Official Statement.

Pursuant to the Funding Agreement, the City will own and operate the Regional Wastewater Facilities. See APPENDIX B-1 -- “INFORMATION CONCERNING THE CITY OF ROSEVILLE WASTEWATER UTILITY” for a description of the senior management of the City’s wastewater system.

THE REGIONAL WASTEWATER SYSTEM

Service Area

The Regional Wastewater Facilities include the Dry Creek Plant and related regional conveyance system, the Pleasant Grove Plant and related regional conveyance system to be constructed with the proceeds of the Bonds and any other regional treatment facilities constructed by the Authority or any of the Participants in the future to facilitate wastewater collection, conveyance, treatment, recycling, discharge and disposal services collectively for all of the Participants. The service area of the Regional Wastewater Facilities is a 70-square mile service area which includes the wastewater service areas of Roseville, SPMUD and certain areas of Placer County. Refer to the appendices to this Official Statement for more specific information on the service areas for each of the Participants. For information on the service area of the Authority, see APPENDIX A -- “ENGINEER’S REPORT.”

Facilities

All wastewater from the Authority’s service area is currently conveyed to, and treated at, the Dry Creek Plant. The Dry Creek Plant has a capacity of 18 mgd average dry weather flow. Effluent from the Dry Creek Plant is discharged into Dry Creek. The Dry Creek Plant was designed to produce an effluent that allows unrestricted reuse of the effluent. See APPENDIX A -- “ENGINEER’S REPORT -- Existing Wastewater Facilities” for a description of the Dry Creek Plant. Upon completion of construction of the Pleasant Grove Plant, wastewater from the northern portion of the Authority’s service area will be conveyed to, and treated at, the Pleasant Grove Plant, and wastewater from the southern portion of the Authority service area will continue to be conveyed to, and treated at, the Dry Creek Plant. For a general description of the Pleasant Grove Plant, see “THE PROJECT” above.

Operations

The City will operate and maintain the Regional Wastewater Facilities for the mutual benefit of, and provide wastewater treatment services to, the Participants, so long as the Participants pay their proportionate share of the amounts required under the Funding Agreement and an Operations Agreement, dated as of October 1, 2000 (the "Operations Agreement"), among the Authority and the Participants. Pursuant to the Operations Agreement, each Participant will have the right to maintain connections between such Participant's System and the Regional Wastewater Facilities at all locations existing as of the date of the Operations Agreement and to establish new connections as needed, subject to the City's prior written approval of the location of such connection. The Operations Agreement also provides that each Participant's responsibility for Regional Operation and Maintenance Costs for the Regional Wastewater Facilities will be based upon its Proportional Volumetric Share (defined as the proportion of total yearly wastewater volume entering the Regional Wastewater Facilities that is attributable to such Participant).

Insurance

The insurance needs of the Regional Wastewater System are handled by the Risk Management Division of the City's Administrative Services Department. The City is self-insured for up to \$500,000 for all insurance needs including casualty and liability and up to \$250,000 for workers' compensation. The City has also joined with a group of other municipalities to participate in a Joint Powers Authority policy that provides excess coverage up to \$10,000,000 for casualty and liability, and up to \$500,000 for workers' compensation.

THE PARTICIPANTS

The Participants consist of Roseville, SPMUD and Placer County. Pursuant to the Funding Agreement (see "SECURITY FOR THE BONDS -- Funding Agreement"), each of the Participants agrees to collect and forward to the Authority, its Proportionate Shares of Debt Service and the Authority Maintenance and Operation Costs due to the Authority pursuant to the Funding Agreement. For information relating to Roseville, see APPENDIX B-1 -- "INFORMATION CONCERNING THE CITY OF ROSEVILLE WASTEWATER UTILITY" and APPENDIX B-2 -- "EXCERPTED PORTIONS OF THE CITY OF ROSEVILLE AUDIT." For information relating to SPMUD, see APPENDIX C-1 -- "INFORMATION CONCERNING THE SOUTH PLACER MUNICIPAL UTILITY DISTRICT" and APPENDIX C-2 -- "SOUTH PLACER MUNICIPAL UTILITY DISTRICT AUDIT." For information relating to Placer County, see APPENDIX D-1 -- "INFORMATION CONCERNING THE PROVISIONS OF WASTEWATER COLLECTION SERVICE TO CERTAIN AREAS WITHIN THE COUNTY OF PLACER" and APPENDIX D-2 -- "FINANCIAL INFORMATION CONCERNING CERTAIN OF THE COUNTY OF PLACER'S WASTEWATER ENTITIES."

CONSTITUTIONAL LIMITATIONS ON TAXES AND SEWER RATES AND CHARGES

Article XIII A of the California Constitution

Section 1(a) of Article XIII A of the California Constitution limits the maximum ad valorem tax on real property to 1% of full cash value (as defined in Section 2 of Article XIII A), to be collected by each county and apportioned among the county and other public agencies and funds according to law. Section 1(b) of Article XIII A provides that the 1% limitation does not apply to ad valorem taxes to pay interest or redemption charges on (a) indebtedness approved by the voters prior to July 1, 1978 or (b) any bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast by the voters voting on the proposition. Section 2 of 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 has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year or to reflect a reduction in the consumer price index or comparable data for the area under the taxing jurisdiction, or reduced in the event of declining property values caused by substantial damage, destruction, or other factors. Legislation enacted by the State Legislature to implement Article XIII A provides that notwithstanding any other law, local agencies may not levy any ad valorem property tax except to pay debt service on indebtedness approved by the voters as described above.

On June 18, 1992, following a number of challenges to the provisions of Article XIII A, the United States Supreme Court upheld the decision in *Nordlinger v. Hahn*, 225 Cal. App. 3d 1259, a case involving residential property taxation decided by the State Court of Appeals. The 8 to 1 majority held that the Article XIII A assessment method serves a rational state interest by providing certainty regarding property taxes to homeowners and therefore does not violate provisions of the Equal Protection Clause codified in the 14th Amendment of the U.S. Constitution.

The effect of Article XIII A on each Participant's finances, then, has been to restrict ad valorem tax revenues for general purposes to the statutory allocation of the 1% levy while leaving intact the power to levy ad valorem taxes in whatever rate or amount may be required to pay debt service on its general obligation bonds. The Authority and the Participants cannot predict whether any further challenges to the State's present system of property tax assessment will be made, or what the outcome of impact on any of the Participants of any such challenge might be.

Article XIII B of the California Constitution

An initiative amendment to the California Constitution (Article XIII B) was approved by the California electorate on November 6, 1979. This amendment establishes limits on certain annual appropriations of state and local government entities. Initially, the limits are based generally on appropriations for the Fiscal Year 1978-79 with future adjustments permitted for changes in the cost of living, population and certain other factors. The definition of appropriations subject to limitation is stated so as to exclude, among other things, (1) appropriations of proceeds received by a government entity from user fees to the extent such proceeds do not exceed the costs reasonably borne by such entity in providing the product or service, (2) the appropriations of any special district "which did not as of the 1977-78 fiscal year levy an ad valorem tax on property in excess of 12½ cents per \$100 of assessed value", and (3) "appropriations required to pay the cost of interest and redemption charges, including the funding of any reserve or sinking fund required in connection therewith, on indebtedness existing or legally authorized as of January 1, 1979, or a bonded indebtedness thereafter approved . . ." by vote of the electors of the issuing entity. In addition, the amendment provides that nothing in it "will be construed to impair the ability of the State or any local government to meet its obligations with respect to existing or future bonded indebtedness."

The Participants are of the opinion that their wastewater fees and charges do not exceed the costs they reasonably bear in provided such services and therefore are not subject to the limits of Article XIII B.

Article XIII C and XIII D of the California Constitution

Proposition 218, a State ballot initiative known as the "Right to Vote on Taxes Act," was approved by the voters on November 5, 1996. The initiative added Articles XIII C and XIII D to the California Constitution, creating additional requirements for the imposition by most local governments of "general taxes," "special taxes," "assessments," "fees" and "charges." The Authority and the Participants may be local governments within the meaning of Articles XIII C and XIII D. Articles XIII C and XIII D are effective, pursuant to their terms, as of November 6, 1996, although compliance with some of its provisions was deferred until July 1, 1997, and certain of its provisions purport to apply to any tax imposed for general governmental purposes (i.e., "general taxes") imposed, extended or increased on or after January 1, 1995 and prior to November 6, 1996.

Article XIII D provides for written notice by mail of the imposition, extension or increase of any "fee" or "charge" levied by a local government to the record owner of each parcel of real property upon which a fee or charge is proposed to be imposed or increased. A "fee" or "charge" includes any levy, other than an ad valorem tax, special tax or assessment, imposed by an agency upon a parcel of real property or upon a person as an incident of property ownership. Article XIII D prohibits, among other things, the imposition of any proposed fee or charge, and, possibly, the increase of any existing fee or charge, in the event written protests against the proposed fee or charge are presented at a required public hearing on the fee or charge by a majority of owners of the parcels upon which the fee or charge is to be imposed. Except for fees and charges for water, sewer and refuse collection services, the approval of a majority of the property owners subject to the fee or charge, or at the option of the agency, by a two-thirds vote of the electorate residing in the affected area, is required within 45 days following the public hearing on any such proposed new or increased fee or charge. In the view of the Authority, rates for wastewater fees and charges charged by the Authority to its Participants are not fees or charges under Article XIII D, although no

assurance may be given by the Authority that a court would not determine otherwise. The California Attorney General has opined (in Opinion No. 97-302 dated July 14, 1997) that fees for water that are based upon metered amounts used are not imposed as an incident of property ownership and thus not subject to the Article XIID requirements for property-related fees and charges, but such opinion would not bind a court in any litigation on this issue. Accordingly, sewer service rates and charges imposed by the Participants and those imposed by the Authority on the Participants may be determined by California courts to be fees or charges under Article XIID. It remains unclear what effect, if any, Article XIID will have on the ability of a Participant or the Authority to charge rates to its retail customers greater than those which existed on November 5, 1996, and the potential impact such limitations will have on the Authority's Revenues and each Participant's Net Revenues.

Article XIID provides that all existing, new or increased assessments are to comply with its provisions beginning July 1, 1997. Existing assessments imposed on or before November 5, 1996, and "imposed exclusively to finance the capital costs or maintenance and operations expenses for [among other things] water" are exempted from some of the provisions of Article XIID applicable to assessments. Article XIID also imposes several procedural requirements for the imposition of any new assessment, which may include (1) various notice requirements, including the requirement to mail a ballot to owners of the affected property; (2) the substitution of a property owner ballot procedure for the traditional written protest procedure, and providing that "majority protest" exists when ballots (weighted according to proportional financial obligation) submitted in opposition exceed ballots in favor of the assessments; and (3) the requirement that the levying entity "separate the general benefits from the special benefits conferred on a parcel" of land. Beginning July 1, 1997, any change to a Participant's current assessment could require notice to property owners and approval by a majority of such owners returning mail-in ballots approving or rejecting any imposition or increase of such assessment. Article XIID also provides that "standby charges" are considered "assessments" and must follow the procedures required for "assessments."

Article XIID, by its terms, does not apply to "fees or charges as a condition of property development." The Authority believes that Regional Connection Fees and Local Connection Fees imposed by the Participants are fees or charges as a condition of property development within the meaning of Article XIID.

Article XIIC extends the people's initiative power to reduce or repeal previously-authorized local taxes, assessments, and fees and charges. This extension of the initiative power is not limited by the terms of Article XIIC to fees imposed after November 6, 1996 and absent other authority could result in retroactive reduction in any existing taxes, assessments or fees and charges.

For information concerning the specific procedures employed by each Participant with respect to its charges and fees, see Appendices B, C and D attached hereto.

No assurance may be given that Article XIIC and Article XIID would not have a material adverse impact on the Authority's Revenues. See "SECURITY FOR THE BONDS."

Future Initiatives

Articles XIII A, XIII B, XIIC and XIID were adopted as measures that qualified for the ballot pursuant to California's initiative process. From time to time other initiatives could be proposed and adopted affecting the Participants' revenues or ability to increase revenues.

RISK FACTORS

The following section describes certain risk factors affecting the payment of and security for the Bonds. The following discussion of risks is not meant to be an exhaustive list of the risks associated with the purchase of the Bonds and does not necessarily reflect the relative importance of the various issues. Potential investors are advised to consider the following factors, along with all other information in this Official Statement, in evaluating the Bonds. There can be no assurance that other risk factors will not become material in the future.

General

The payment of principal of and interest on the Bonds is secured solely by a pledge of the Authority Revenues and certain funds under the Indenture. The realization of the Authority Revenues is subject to, among other things, the capabilities of management of the Participants, the ability of the Participants to provide wastewater services to their users, and the ability of the Participants to establish and maintain wastewater fees and charges sufficient to provide the required debt service coverage as well as pay for Participant and the Authority Operation and Maintenance Costs.

Among other matters, drought, general and local economic conditions and changes in law and government regulations (including initiatives and moratoriums on growth) could adversely affect the amount of Participant Net Revenues realized by the Participants and ultimately the ability of the Participants to pay their Proportionate Share of Debt Service to the Authority.

Earthquakes, Floods and Other Natural Disasters

Earthquakes, floods or other natural disasters could interrupt operation of the Participant's Systems and cause increased costs and thereby interrupt the ability of the Participants to realize Participant Net Revenues sufficient to pay their Proportionate Share of Debt Service to the Authority. The Participants are not obligated under the Funding Agreement to have earthquake or flood insurance.

Permits and Regulation

The wastewater operations of the Authority and the Participants are subject to discharge permits from the State Water Resources Control Board. A number of these permits will have to be modified to show increased capacity in connection with the Project. In general, these discharge permits are not modified to reflect increased capacity until capacity improvements are completed and have been tested. In addition, such permits expire and are subject to renewal every five years. Although the Authority and each of the Participants expects these permits to be modified to reflect increased capacity and to be renewed in the future, there can be no assurance that such modifications and renewals will occur. Non-compliance with discharge permits may result in significant penalties from the State Water Resources Control Board or other enforcement actions that could have a material adverse effect on the finances and operations of the Authority and the Participants.

Dependence of Connection Fee Revenue on Development

The projections relating to the payment of each Participant's Proportionate Share of Debt Service, assume that connection fees will be a significant source of future revenue. See APPENDICES A, B, C and D attached hereto. In general, receipt of connection fee revenue is dependent upon development of land. The actual course of land development within the Participant's regional service area may vary significantly from the projections. While each of the Participants projects that connection fee revenues will allow the Rate Stabilization Fund to be maintained at a level sufficient to fund annual Debt Service on the Bonds, wastewater service charges are the ultimate financial support for the payment of each Participant's Proportionate Share of Debt Service. In general, the Participants agree annually to set rates for wastewater service charges at a level which will generate revenues sufficient to cover Debt Service on the Bonds that is not covered by amounts transferred from the Rate Stabilization Fund. See "SECURITY FOR THE BONDS -- Funding Agreement -- Rate Covenant" herein.

Land development is subject to comprehensive federal, state and local regulations. Approval is required from various agencies in connection with the layout and design of developments, the nature and extent of improvements, construction activity, land use, zoning, school and health requirements, as well as numerous other matters. There is always the possibility that such approvals will not be obtained or, if obtained, will not be obtained on a timely basis. Failure to obtain any such agency approval or satisfy such governmental requirements would adversely affect land development.

The installation of the necessary infrastructure improvements and the construction of the proposed development are subject to the receipt of ministerial and discretionary approvals from a number of public agencies concerning the layout and design of the proposed development, the nature and extent of the improvements, land use, health and safety requirements and other matters. Moreover, land development operations may be adversely

affected by future governmental policies, including, but not limited to, governmental policies to restrict or control development.

Under current California law, it is generally accepted that proposed development is not exempt from future land use regulations until building permits have been properly issued and substantial work has been performed and substantial liabilities have been incurred in good faith reliance on such permits.

In the past, a number of communities in California, including Roseville, have had initiative measures placed on the ballot intended to control the rate of future development. It is possible that future initiatives could be enacted, could become applicable to certain proposed development and could negatively impact the ability of developers to complete land development within the County. The application of future land use regulations to land development could cause significant delays and cost increases in the completion of development.

There can be no assurance that land development operations will not be adversely affected by a future deterioration of the real estate market, the lack of an adequate water supply, economic conditions or future local, State and federal governmental policies relating to real estate development, the income tax treatment of real property ownership, or the national economy.

Investment of Funds

All funds and accounts held under the Indenture are required to be invested in Authorized Investments as provided under the Indenture. See APPENDIX G attached hereto for a summary of the definition of Authorized Investments. All investments, including the Authorized Investments and those authorized by law from time to time for investments by public agencies, contain a certain degree of risk. Such risks include, but are not limited to, a lower rate of return than expected, loss of market value and loss or delayed receipt of principal. The occurrence of these events with respect to amounts held under the Indenture or by the Participants, including but not limited to the Rate Stabilization Fund, could have a material adverse effect on the security of the Bonds.

Limitations on Remedies and Bankruptcy

The rights and remedies provided in the Indenture and the Funding Agreement may be limited by and are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, and to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California. The various opinions of counsel to be delivered with respect to such documents, including the opinion of Bond Counsel (the form of which is attached as APPENDIX I), will be similarly qualified.

The enforcement of the remedies provided in the Indenture and the Funding Agreement could prove both expensive and time consuming. In addition, the rights and remedies provided in the Indenture and the Funding Agreement may be limited by and are subject to provisions of the federal bankruptcy laws, as now or hereafter enacted, and to other laws or equitable principles that may affect creditors' rights. If a Participant were to file a petition under Chapter 9 of the Bankruptcy Code (Title 11, United States Code), the Bondholders and the Trustee could be prohibited or severely restricted from taking any steps to enforce their rights under the Funding Agreement.

CONTINUING DISCLOSURE

The Authority and the Participants will covenant for the benefit of the holders and beneficial owners of the Series A Bonds to provide certain financial information and operating data by not later than 210 days following the end of the Authority's and each Participant's Fiscal Year (presently June 30) (the "Annual Reports"), commencing with the report for Fiscal Year ended June 30, 2000, with respect to Roseville and Placer County, and the Fiscal Year ending June 30, 2001 with respect to the Authority and SPMUD, and the Authority will covenant to provide notices of the occurrence of certain enumerated events, if material. The Annual Reports and notices of material events will be filed with each Nationally Recognized Municipal Securities Information Repository (as defined in APPENDIX J) (the "NRMSIRs"). The specific nature of the information to be contained in the Annual Reports and the notice of material events is set forth in APPENDIX J -- "FORMS OF CONTINUING DISCLOSURE

UNDERTAKINGS FOR THE SERIES A BONDS” hereto. These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

While in the Daily Mode, the Weekly Mode or the Flexible Mode, the Series B Bonds are exempt from the continuing disclosure requirements of S.E.C. Rule 15c2-12(b)(5).

LITIGATION

To the best knowledge of the Authority, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending or threatened against the Authority (i) affecting the existence of the Authority or the titles of its officers to their respective offices, or (ii) affecting or seeking to prohibit, restrain or enjoin the issuance, sale or delivery of the Bonds, or (iii) contesting or affecting, as to the Authority, the validity or enforceability of the Bonds, the Funding Agreement, the Operations Agreement, the Payment Agreement (relating to the obligations of the Authority with respect to the Standby Bond Purchase Agreement) or the Indenture, or (iv) contesting the powers of the Authority to enter into, adopt or perform its obligations under any of the foregoing, or (v) wherein an unfavorable decision, ruling or finding would materially adversely affect the operations or finances of the Authority.

Except as discussed herein under the heading “THE PROJECT -- Contractor and Disputed Bid Process,” to the best knowledge of each Participant, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending or threatened against the Participant (i) affecting the existence of the Participant or the titles of its officers to their respective offices, or (ii) contesting or affecting, as to the Participant, the validity or enforceability of the Joint Powers Agreement, the Funding Agreement (relating to the obligations of each Participant with respect to the Standby Bond Purchase Agreement) or the Operations Agreement or (iii) contesting the powers of the Participant to enter into, adopt or perform its obligations under any of the foregoing, or (iv) wherein an unfavorable decision, ruling or finding would materially adversely affect the finances and operations of the Participant.

TAX MATTERS

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, provided, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings.

The opinions set forth in the preceding paragraph are subject to the condition that the Authority comply with all requirements of the Internal Revenue Code of 1986 (the “Code”) that must be satisfied subsequent to the issuance of the Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The Authority has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds.

If the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes “original issue discount” for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which each Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes “original issue premium” for purposes of federal income taxes and State of California personal income taxes. De minimis original issue discount is disregarded.

Under the 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 Bond 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 Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Bond. The Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Bonds who purchase the Bonds after the initial offering of a substantial amount of such maturity. Owners of such Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds 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 Bonds under federal individual and corporate alternative minimum taxes.

Under the Code, original issue premium is amortized on an annual basis over the term of the Bond (said term being the shorter of the Bond'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 Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Bond is amortized each year over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized Bond premium is not deductible for federal income tax purposes. Owners of Premium Bonds, 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 Bonds.

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

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

APPROVAL OF LEGALITY

The issuance of the Bonds is subject to the approving opinion of Jones Hall, a Professional Law Corporation, San Francisco, California, Bond Counsel, with respect to validity and tax exemption. Certain legal matters will be passed upon for the Authority by Hyde, Miller, Owen & Trost, A Professional Corporation, Sacramento, California, for the Participants by their respective counsels and for the Underwriters by Orrick, Herrington & Sutcliffe LLP, San Francisco, California.

RATINGS

Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Ratings Group, a division of the McGraw Hill Companies, Inc. ("S&P") have rated the Series A Bonds "Aaa" and "AAA," respectively, based upon the issuance of the Insurance Policy by the Insurer. Moody's has rated the Series B Bonds "Aaa/VMIG1," based upon the issuance of the Insurance Policy by the Insurer and the execution and delivery of the Standby Bond Purchase Agreement by FGIC-SPI. Certain information was supplied by the Authority and the Participants to such rating agencies to be considered in evaluating the Bonds. The ratings reflect only the views of the rating agencies and any explanation of the significance of such ratings and any ratings on any of the Participant's outstanding obligations may be obtained only from such rating agencies as follows: Moody's Investors Service, 99 Church Street, New York, New York 10017; and Standard & Poor's Ratings Group, 55 Water Street, New York, New York 10041. There is no assurance that the ratings will remain in effect for any given period of time or that they will not be revised downward or withdrawn entirely by such rating agencies, or any of them, if, in their respective judgment, circumstances so warrant. Any downward revision or withdrawal of any rating may have an adverse effect on the market price of the Bonds.

FINANCIAL ADVISOR

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

UNDERWRITING

Morgan Stanley & Co. Incorporated, as representative of the underwriters of the Series A Bonds, has agreed, subject to certain conditions, to purchase the Series A Bonds at a price of \$108,617,702.05 (representing \$109,775,000 aggregate principal amount of the Series A Bonds less \$666,992.90 of Underwriters' discount and less \$490,305.05 of net original issue discount) plus accrued interest. Morgan Stanley & Co. Incorporated, as underwriter of the Series B Bonds, has also agreed, subject to certain conditions, to purchase the Series B Bonds at a price of \$69,809,001.15 (representing \$70,000,000 aggregate principal amount of the Series B Bonds less \$190,998.85 Underwriter's discount). Each Purchase Contract provides that the Underwriter(s) will purchase all the Series A Bonds and the Series B Bonds, respectively, if any are purchased. The Series A Bonds may be offered and sold by the Underwriters to certain dealers and others at prices lower than such public offering price, and such public offering price may be changed, from time to time, by the Underwriter.

REMARKETING

Morgan Stanley & Co. Incorporated will act as initial remarketing agent for the Series B Bonds.

APPENDIX A
ENGINEER'S REPORT

APPENDIX B-1

INFORMATION CONCERNING THE CITY OF ROSEVILLE WASTEWATER UTILITY

General

The City of Roseville (“Roseville” or the “City”) is located 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 74,100 in 2000, is the largest city in Placer County as well as the residential and industrial center of the County.

The City has warm summers typical of central California, with an average July temperature of 77 degrees. Winter temperatures are moderate; the average January temperature is 46 degrees. The temperature drops below freezing an average of eight days per year. Rainfall averages 20 inches annually and falls mostly during the winter.

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

Wastewater Utility

The City started developing its own wastewater collection and treatment system (the “City’s Wastewater Utility”) shortly after its incorporation as a city on April 10, 1909. Currently, the City’s Wastewater Utility provides sewer service to 41,435 equivalent dwelling units within City limits. The Wastewater Fund, a separate enterprise fund of the City, accounts for the operations of the City’s Wastewater Utility. See “Financial Information” below.

Governance and Management

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.

The City’s Environmental Utilities Department is responsible for the operation and maintenance of the City’s Wastewater Utility, as well as the City’s water and solid waste utilities. The senior management of the City’s Wastewater Utility consists of the following personnel:

DERRICK WHITEHEAD, Director of Environmental Utilities. Mr. Whitehead, as Director of Environmental Utilities, is responsible for the City’s Wastewater, Water and Solid Waste Utilities and reports to the City Manager of the City. He has served the City in this capacity since 1994. Prior to his current position, Mr. Whitehead was the Environmental Engineer for the City’s Environmental Utilities Department. Mr. Whitehead has a B.S. and M.S. in Civil Engineering from Brigham Young University. Mr. Whitehead is a registered civil engineer with the State of California and is a member of the American Water Works Association, American Public Works Association, Association of California Water Agencies, California Municipal Utilities Association, Solid Waste Association of North America and Water Environment Federation.

ART O’BRIEN, Environmental Engineer. Mr. O’Brien, as Environmental Engineer, is responsible for managing the day-to-day operation of the City’s Wastewater Utility. He has served the City in this capacity since 1998. Prior to assuming his current position, Mr. O’Brien worked for CH2MHill for 21 years. Mr. O’Brien was Vice President and Manager of the Sacramento Office of CH2MHill and served in a variety of roles while assigned to other CH2MHill offices before moving to the Sacramento area in 1993. Mr. O’Brien is a registered professional engineer of the State of California and has an M.S. degree in Civil and Environmental Engineering from Utah State University.

RUSS BRANSON, Finance Director. Mr. Branson, as Finance Director of the City, is responsible for the accounting, budget, cash management, payroll, utility billing and public finance aspects of the City. Mr. Branson will also manage the finances of the Authority. He has served the City in this capacity since April of 2000. Prior to assuming his current position, Mr. Branson worked 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.

Wastewater Facilities

The City’s Wastewater Utility currently consists of the Dry Creek Plant with a treatment capacity of 18 million gallons per day (“mgd”) average dry weather flow, 4 sewer pump stations and over 900 miles of sewer mains. The City’s Wastewater Utility treats all of the wastewater in the City at the Dry Creek Plant, which it owns and operates. Currently, the City collects and treats over 7 mgd from Roseville. The Dry Creek Plant also treats wastewater from the South Placer Municipal Utility District and certain areas within the County of Placer. The City will also own and operate the Pleasant Grove Plant for the benefit of the Participants. See “THE PROJECT” and “THE REGIONAL WASTEWATER SYSTEM” in the forepart of this Official Statement. See also APPENDIX A -- “ENGINEER’S REPORT -- Existing Wastewater Facilities.”

Wastewater Permits, Licenses and Other Regulations

The Dry Creek Plant operates under a National Pollutant Discharge Elimination System permit from the California Regional Water Quality Control Board (the “Regional Board”). The Regional Board issued a renewal of the original discharge permit for the Dry Creek Plant on June 16, 2000. The existing Dry Creek Plant facilities and operations provide the City with the capability of meeting the requirements of the permit. See APPENDIX A -- “ENGINEER’S REPORT” regarding information on permits and approvals for the Project. There have been no recent compliance issues with respect to these permits and regulations.

Wastewater Service Area and Customers

The area served by the City’s Wastewater Utility consists of approximately 31.6 square miles (or 20,224 acres), including approximately 41,435 equivalent dwelling units, 1,098 acres of developed commercial land, 687 acres of developed industrial land and 308 acres of public land. The population of the City’s Wastewater Utility service area as of January 1, 2000 is estimated to be 74,100 with total connections as of June 30, 1999 of 24,919.

The following tables show the current number of equivalent dwelling units and connections served by the City’s Wastewater Utility by class of user and the sewer service charge revenues by class of user.

**Roseville Wastewater Utility
Number of Dwelling Unit Equivalents and Connections
by Class of User
As of June 30, 1999**

<u>Class of User</u>	<u>Equivalent Dwelling Units</u>	<u>Connections</u>
Residential	33,707	23,393
Commercial/Industrial	<u>7,728</u>	<u>1,526</u>
Total Users	41,435	24,919

Source: City of Roseville

**Roseville Wastewater Utility
User Charge Revenues by Class of User
Fiscal Year Ended June 30, 1999**

<u>Class of User</u>	<u>User Charge Revenues⁽¹⁾</u>	<u>Percentage</u>
Residential	\$3,939,587	60.13%
Commercial/Industrial	<u>2,612,117</u>	<u>39.87</u>
Total	\$6,551,704	100.00%

Source: City of Roseville

⁽¹⁾ User Charge Revenues constitute Sewer Service Charges less payments from SPMUD and Placer County for a portion of the Operations & Maintenance costs related to regional facilities and less miscellaneous service charges.

The following table shows the five largest users of the City's Wastewater Utility by sewer service charge revenue during the Fiscal Year ended June 30, 1999.

**Roseville Wastewater Utility
Five Largest Users
Fiscal Year Ended June 30, 1999**

<u>User</u>	<u>User Charge Revenues⁽¹⁾</u>	<u>Percentage</u>
NEC Electronics, Inc.	\$633,135	9.66%
Hewlett-Packard	83,383	1.27
Rosemead Apartments	78,845	1.20
Heritage Park Apartments	56,918	.87
Slate Creek Apartments	<u>52,700</u>	<u>.80</u>
Total	\$904,981	13.81%

Source: City of Roseville

⁽¹⁾ User Charge Revenues constitute Sewer Service Charges less payments from SPMUD and Placer County for a portion of the Operations & Maintenance costs related to regional facilities and less miscellaneous service charges.

Rates and Charges

The City funds the cost of the City's Wastewater Utility operation, maintenance and replacement, and capital expansion through a user fee system involving service fees and local connection charges. Sewer service fees and local connection charges are determined by staff of the City's Environmental Utilities Department and approved by the City Council. Such rates are examined each year and are adjusted as needed to meet budgetary requirements. The components of the user fees currently imposed by the City are: (1) user charges for residential, commercial and industrial users and (2) miscellaneous service charges. The charges established by the City are not subject to review or approval by any other agency. See "CONSTITUTIONAL LIMITATIONS ON TAXES AND SEWER RATES AND CHARGES -- Articles XIIC and XIID of the California Constitution" in the forepart of this Official Statement.

Current Service Charges and Billing. The monthly rate for wastewater service is \$14.00 per sewer unit. For residential connections, a sewer unit is one per living unit. For nonresidential connections, the calculation of sewer units varies depending on the biological and chemical composition of the discharge. In general, nonresidential sewer units are one sewer unit per 1,000 cubic feet of estimated discharge. In addition, special treatment and handling costs may be added. Residential customers are billed bi-monthly and commercial and industrial customers are billed monthly. Bills are due and payable on presentation, and become delinquent after 19

days. After a bill is delinquent, the City may disconnect electric service by following certain procedures. Before service is reinstated the customer must bring the entire bill current, pay a deposit equal to the estimated total sewer, water, electric and refuse bill for two months of service and compensate the City for the cost of reinstating service.

Current Connection Charges. A connection fee is a one-time fee for a new, additional or larger connection to the City's Wastewater Utility. Because connection fees are primarily collected on new construction within the City, revenues obtained from such fees vary based on the level of construction activity. The current connection fee is \$3,415 of which \$3,195 is the Regional Connection Fee and \$220 is the Local Connection Fee. See "SECURITY FOR THE BONDS -- Funding Agreement -- Rate Stabilization Fund; Regional Connection Fees."

Delinquencies. The City has not experienced annual uncollected delinquencies for wastewater users exceeding \$24,000 (less than 1%) of total billings over each of the last 5 years.

Financial Information

Budgetary Process. The operating budget takes the form of an annual financial plan which is adopted in its entirety by the City Council. The operating budget is presented on a program basis, with an emphasis on matching services with the cost of providing those services. A mid-period review is conducted and appropriations are adjusted accordingly. The operating budget is subject to supplemental appropriations throughout its term in order to provide flexibility to meet changing needs and conditions.

Financial Statements. The table below presents summaries of financial data relating to the City's Wastewater Fund for the Fiscal Years ended June 30, 1995 through 1999. This data is extracted from the City's Annual Financial Reports for such years. The City's Annual Financial Report is currently audited by Maze & Associates, Walnut Creek, California, in accordance with generally accepted auditing standards, and contains opinions that the financial statements present fairly the financial position of the various funds maintained by the City. The reports include certain notes to the financial statements which may not be fully described below. Such notes constitute an integral part of the audited financial statements. Copies of these reports are available on request from the City Clerk. See APPENDIX B-2 -- "EXCERPTED PORTIONS OF THE CITY OF ROSEVILLE AUDIT."

Significant Accounting Policies. Governmental accounting systems are organized and operated on a fund basis. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein. Funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The City's Wastewater Utility is accounted for as an enterprise fund. Enterprise funds are used to account for operations (i) that are financed and operated in a manner similar to private business enterprises (where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges) or (ii) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. All Proprietary Funds, including the enterprise fund used to account for the operations of the City's Wastewater Utility, are accounted for using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

**City of Roseville Wastewater Utility Fund
Summary of Historical Operating Results⁽¹⁾
Fiscal Years Ending June 30, 1995 through 1999**

	1995	1996	1997	1998	1999
Gross Revenues :					
Sewer Service Charges (2)	\$6,852,221	\$7,217,253	\$8,194,980	\$7,356,408	\$9,097,824
Local Connection Fees	\$570,908	767,101	571,003	1,037,748	690,773
Interest Income (3)	605,892	1,091,797	1,407,478	2,263,659	2,592,770
Other Revenue	88,758	27,859	6,270	13,098	16,757
Total Gross Revenues	8,117,779	9,104,010	10,179,731	10,670,913	12,398,124
Operation & Maintenance Costs (4):	6,353,960	5,498,129	5,851,977	6,405,014	6,951,693
Net Revenues	1,763,819	3,605,881	4,327,754	4,265,899	5,446,431
Regional Connection Fees (5)	5,048,223	6,134,487	5,874,499	13,700,789	9,365,625
Connection Fees-SSBA2 (Regional) (5)	\$516,123	\$633,185	\$441,624	\$547,042	\$571,315

- (1) *Figures derived from Roseville's Annual Audited Financial Reports.*
(2) *Includes payments from SPMUD and Placer County for a portion of the Operation & Maintenance Costs related to regional facilities.*
(3) *Includes interest income derived from the investment of monies from Regional Collection Fees collected from Placer County and SPMUD.*
(4) *Operation & Maintenance Costs exclude depreciation and include both local collection system operation and maintenance costs and Regional Operation & Maintenance Costs.*
(5) *Regional Connection Fees are collected and held in the Regional Construction Fund.*

Management's Discussion and Analysis. The following discussion relates to certain items shown in the table above.

Gross Revenues. Gross Revenues, not including Regional Connection Fees increased from \$8.12 million in the Fiscal Year ended June 30, 1995 to \$12.40 million in the Fiscal Year ended June 30, 1999, an average annual rate of 11 percent. This increase was mainly due to the development growth trend in Sewer Service Charges and Local Connection Fees, both of which contribute to Gross Revenues. Sewer Service Charges increased from \$6.85 million in the Fiscal Year ended June 30, 1995 to \$9.10 million in the Fiscal Year ended June 30, 1999 at an average annual rate of 8 percent. The Fiscal Years ended June 30, 1997 and 1998 reflect an accounting correction and change in recognition of operating expense reimbursements. Without the change, revenues would have increased about 5% (for the Fiscal Year ended June 30, 1996 to 1997), 5.6% (for the Fiscal Year ended June 30, 1997 to 1998), and 13.9% (for the Fiscal Year ended June 30, 1998 to 1999). The high increase in the Sewer Service Charges for the Fiscal Year ended June 30, 1999 corresponds with the high building permit activity in the Fiscal Year ended June 30, 1998, resulting in high occupancy and service provided in the Fiscal Year ended June 30, 1999.

Regional Connection Fees generally increased over the five year historical timeframe. In the Fiscal Year ended June 30, 1998, Regional Connection Fees increased significantly (133 percent from the prior year.) The general increase and the increase in the Fiscal Year ended June 30, 1998 are due to an increase in commercial development construction during the Fiscal Years ended June 30, 1996, 1998 and 1999. Commercial activity during those years included various retail complexes, several restaurants, a 16-screen theater, an indoor ice skating rink, five (5) hotels, and a regional mall. Residential development construction (both single-family and multi-family) also increased in the Fiscal Year ended June 30, 1998 (approximately 650 units higher), accentuating the difference between the Fiscal Year ended June 30, 1998 and the years before and after. Many of the developments started in the Fiscal Year ended June 30, 1998 were in the planning process during the Fiscal Year ended June 30, 1997, but were not issued building permits until the Fiscal Year ended June 30, 1998. For this reason, both Local and Regional Connection Fees experienced a substantial increase in the Fiscal Year ended June 30, 1998.

Operations and Maintenance Costs. Over the five year historical timeframe, Operations & Maintenance Costs remained generally constant at \$6.35 million (for the Fiscal Year ended June 30, 1995) to \$6.95 million (for the Fiscal Year ended June 30, 1999), escalating at an average annual rate of 3 percent. Costs decreased by

approximately 13 percent in the Fiscal Year ended June 30, 1996 due to an accounting change for specific administrative costs relating to indirect costs being accounted for through Operating Transfers Out starting in the Fiscal Year ended June 30, 1996.

Projected Operating Results. The City's estimated projected operating results for the City's Wastewater Utility for the Fiscal Years ending June 30, 2000 through 2005 are set forth below, reflecting certain significant assumptions concerning future events and circumstances. The financial forecast represents the City's estimate of projected financial results based upon its judgment of the probable occurrence of future events. The assumptions set forth in part in the footnotes to the chart set forth below are material in the development of the City's financial projections, and variations in the assumptions may produce substantially different financial results. Actual operating results achieved during the projection period may vary from those presented in the forecast and such variations may be material.

**City of Roseville Wastewater Utility Fund
Summary of Projected Operating Results⁽¹⁾
Fiscal Year Ending June 30, 2000 through 2005**

	2000 ⁽²⁾	2001 ⁽²⁾	2002	2003	2004	2005
Participant Gross Revenues (3):						
Wastewater Service Charges (4)	\$8,700,000	\$9,261,742	\$10,568,855	\$11,178,748	\$11,726,023	\$12,218,937
Local Connection Fees (5)	500,000	488,180	491,353	494,547	497,762	500,997
Interest Income (6)	314,070	262,100	262,100	262,100	262,100	262,100
Total Participant Gross Revenues	<u>9,514,070</u>	<u>10,012,022</u>	<u>11,322,308</u>	<u>11,935,395</u>	<u>12,485,884</u>	<u>12,982,034</u>
Participant Local Operation & Maintenance Costs (3),(7)	1,762,722	2,218,254	2,284,802	2,353,346	2,423,946	2,496,664
Regional Operation & Maintenance Costs (3),(8)	4,393,141	4,621,311	5,223,543	5,717,067	5,984,417	6,163,950
Total Operation & Maintenance Costs	<u>6,155,863</u>	<u>6,839,565</u>	<u>7,508,344</u>	<u>8,070,413</u>	<u>8,408,363</u>	<u>8,660,614</u>
Participant Net Revenues	<u>3,358,207</u>	<u>3,172,457</u>	<u>3,813,964</u>	<u>3,864,982</u>	<u>4,077,521</u>	<u>4,321,420</u>
Series A & B Bond Debt Service						
Proportionate Share of Debt Service (3),(9)		1,784,696	5,117,678	5,229,107	5,227,259	5,225,320
RSF Withdrawal for Debt Service		(1,784,696)	(5,117,678)	(5,229,107)	(5,227,259)	(5,225,320)
Proportionate Share of Debt Service Net of RSF Draws		<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Revenues Available after Debt Service	<u>3,358,207</u>	<u>3,172,457</u>	<u>3,813,964</u>	<u>3,864,982</u>	<u>4,077,521</u>	<u>4,321,420</u>

Rate Stabilization Fund ("RSF") Activity						
Beginning Balance	43,983,490	66,435,105	72,267,537	78,362,938	84,852,972	84,852,972
Deposits (Regional Connection Fees) (5), (10), (11)	29,772,295	7,135,788	7,182,171	7,228,855	7,275,842	7,275,842
Interest Earnings at 5.5%	3,036,511	3,814,323	4,142,338	4,488,438	4,856,867	4,856,867
Withdrawals (12)	(10,357,192)	(5,117,678)	(5,229,107)	(5,227,259)	(5,225,320)	(5,225,320)
Ending Balance	<u>\$66,435,105</u>	<u>\$72,267,537</u>	<u>\$78,362,938</u>	<u>\$84,852,972</u>	<u>\$91,760,361</u>	<u>\$91,760,361</u>

(1) Estimates were prepared by Roseville staff.

(2) Unless otherwise specified in the notes below, both FY 1999-2000 and FY 2000-2001 are derived from Roseville's FY 2000-2001 Budget.

(3) Per definitions in the Funding Agreement, Participant Gross Revenues include payments from Placer County and SPMUD for their estimated share of Operation and Maintenance Costs; Operation & Maintenance Costs exclude depreciation.

(4) "Wastewater Service Charges" are projected to increase from \$14.00 to \$15.25 in FY 2001-2002.

(5) As described in the Funding Agreement, only "Available Local Connection Fees" that are determined by a Participant on a case-by-case basis to be available to pay Debt Service can be included as part of "Participant Gross Revenues." Regional Connection Fees flow to the Rate Stabilization Fund. See "SECURITY FOR THE BONDS" in the forepart of this Official Statement. For each Fiscal Year, Local and Regional Connection Fees are projected based upon FY 2000-2001 fee levels, escalated at 0.65% annually, multiplied by the number of equivalent dwelling units ("EDUs") projected to connect to Roseville's Wastewater Utility. The EDUs projection is based upon Roseville's assessment of anticipated growth within its service area. The annual EDUs projection used in this proforma projection is provided below:

	2001	2002	2003	2004	2005
Annual EDUs Projected	2,219	2,219	2,219	2,219	2,219

(6) "Interest Income" revenues are projected to remain constant between FY 2001-2002 and FY 2004-2005 based upon interest income budgeted by Roseville for FY 2000-2001.

(7) Local collection system operation and maintenance costs are escalated at a rate of 3.00% per year from such costs budgeted for FY 2000-2001.

(8) Regional Operation & Maintenance Costs are based on Roseville's projected costs of operating the regional wastewater system.

(9) The Proportionate Shares of Debt Service are based upon initial capacity allocation and projected debt service. Series B debt service is projected based upon an interest rate of 4.00%. Figures are net of projected reserve fund earnings.

(10) The FY 2000-2001 deposits include reimbursements estimated to be incurred prior to closing. Roseville's share of reimbursements is approximately \$22.68 million.

(11) Includes Regional Connection Fees attributable to Roseville. FY 1999-2000 Regional Connection Fees are estimated to be \$8,965,251 (per Roseville's FY 2000-2001 Budget.)

(12) Withdrawals from the Rate Stabilization Fund reflect Series A & B Bond debt service. FY 2000-2001 withdrawals also reflect capital costs incurred prior to closing.

Outstanding Long-Term Obligations

Currently, the City has no outstanding long-term obligations payable from revenues of the City's Wastewater Utility.

Insurance

The insurance needs of the City's Wastewater Utility are handled by the Risk Management Division of the City's Administrative Services Department. The City, including the City's Wastewater Utility, is self-insured for up to \$500,000 for all insurance needs including casualty and liability and up to \$250,000 for workers' compensation. The City has also joined with a group of other municipalities to participate in a Joint Powers Authority policy that provides excess coverage up to \$10,000,000 for casualty and liability, and up to \$500,000 for workers' compensation.

Employees

As of June 30, 2000, the City had approximately 125 full-time equivalent employees employed in the City's Environmental Utilities Department, including 10 full-time equivalent employees in wastewater treatment, 19 full-time equivalent employees in wastewater collection, 3.48 full-time equivalent employees in wastewater administration, 20.48 full-time equivalent employees in water/wastewater mechanical maintenance and electronics, 5.48 full-time equivalent employees in water/wastewater analysis and one full-time equivalent employee in recycled water. Substantially all of the non-management City personnel assigned to the City's Wastewater Utility are represented by Local 39 or the International Brotherhood of Electrical Workers ("IBEW"). The contract with the Local 39 will expire on December 31, 2000 and the contract with the IBEW will expire on December 31, 2002. There have been no strikes or other work stoppages at the City, including the City's Wastewater Utility.

Investment Policy

The cash attributable to the City's Wastewater Utility must be invested in accordance with the City's Investment Policy. Pursuant to the Investment Policy, the City strives to maintain a level of investment of all idle funds, less required reserves, as near 100% as possible, through daily and projected cash flow determinations. Idle cash management and investment transactions are the responsibility of the City Treasurer and permitted investments include the following:

- Securities of the U.S. Government, or its agencies
- Certificates of Deposit (or time deposits) placed with commercial banks and/or savings and loan companies
- Negotiable Certificates of Deposit
- Banker's Acceptances
- Commercial Paper
- Local Agency Investment Fund (State Pool) Demand Deposits
- Repurchase Agreements
- Passbook Savings Account Demand Deposits

Criteria for selecting investments and the order of priority are:

- Safety -- Preservation of principal and interest
- Liquidity -- Ability to convert investment to cash at any moment in time
- Yield -- Potential dollar earnings on an investment

The City's cash management system is designed to accurately monitor and forecast expenditures and revenues, thus enabling the City to invest funds to the fullest extent possible. The City attempts to obtain the highest yield when selecting an investment, provided the criteria for safety and liquidity are met.

APPENDIX B-2

EXCERPTED PORTIONS OF THE CITY OF ROSEVILLE AUDIT

APPENDIX C-1

INFORMATION CONCERNING THE SOUTH PLACER MUNICIPAL UTILITY DISTRICT

General

The South Placer Municipal Utility District (“SPMUD” or the “District”) was established pursuant to the Municipal Utility District Act (California Public Utilities Code Sections 11501 et seq.) (the “Act”) in 1956 under the original name of the Rocklin-Loomis Municipal Utility District. In 1987, the District changed its name to the South Placer Municipal Utility District. The District services an area of approximately 23 square miles, involving the entire City of Rocklin, a major portion of the Town of Loomis and certain unincorporated areas of Placer County (near Penryn). The District provides sewer collection service to a population of approximately 45,000, involving approximately 20,000 equivalent dwelling units.

Governance and Management

The District is governed by a five-member board of directors. Pursuant to the Act, the directors are elected at biennial general elections for staggered terms of four years.

The names of the directors and the expiration of their terms of office are shown below:

<u>Name</u>	<u>Term Expires (December 31)</u>
Frances Scheible <i>President</i>	2000
Deborah Herrmann <i>1st Vice President</i>	2000
Gerald Blackwell <i>2nd Vice President</i>	2002
Angelo Lemos <i>Treasurer</i>	2000
John Murdock <i>Director At Large</i>	2002

The District’s senior management consists of the following personnel:

G.T. LOSCALZO, General Manager. Mr. Loscalzo, as General Manager, manages the operations of the District. He has served the District for 17½ years, including 12 years as General Manager. Prior to his current position, Mr. Loscalzo was Agency Engineer for the Placer County Water Agency. Mr. Loscalzo has a Bachelor of Science (Civil Engineering) degree from Loyola University, Los Angeles.

SIMS PARKER, Superintendent. Mr. Parker is responsible for the day-to-day operation of the District. He has served the District in this capacity for 12 years. Prior to his current position, Mr. Parker was Superintendent for the Rainbow Municipal Water District.

CAROL BEAN, Office Manager. Ms. Bean has served the District for 21 years, including 12 years as Office Manager. As Office Manager, Ms. Bean is responsible for overseeing and supervising all administrative and clerical functions of the District’s daily operations in connection with financial and customer service matters. Ms. Bean also serves as secretary to the District’s board of directors.

Wastewater Facilities

The District owns and operates a sewage collection system involving approximately 180 miles of pipe and nine pump stations. The District transmits its sewage to the Dry Creek Plant through two major conveyance pipelines for treatment by the City of Roseville. See "THE REGIONAL WASTEWATER SYSTEM" in the forepart of this Official Statement.

Wastewater Permits, Licenses and Other Regulations

The District's sewer collection system is not subject to any regulation by state or local agencies.

Wastewater Service Area and Customers

The area served by the District consists of approximately 23 square miles, involving the entire City of Rocklin, a major portion of the Town of Loomis and certain unincorporated areas of Placer County (near Penryn). The District provides sewer collection service to a population of approximately 45,000, involving approximately 20,000 equivalent dwelling units. Approximately 86% of the equivalent dwelling units serviced by the District are located in the City of Rocklin.

The following tables show the current number of equivalent dwelling units and connections served by the District by class of user and wastewater service charge revenues by class of user.

**South Placer Municipal Utility District
Number of Equivalent Dwelling Units and Connections
by Class of User
As of December 31, 1999**

<u>Class of User</u>	<u>Equivalent Dwelling Units</u>	<u>Connections</u>
Residential	16,452	12,868
Commercial	<u>3,179</u>	<u>494</u>
Total Users	19,631	13,362

Source: SPMUD

**South Placer Municipal Utility District
Wastewater Service Charge Revenue by Class of User
Fiscal Year Ended June 30, 2000**

<u>Class of User</u>	<u>Revenue⁽¹⁾</u>	<u>Percentage of Revenue</u>
Residential	\$3,058,000	83%
Commercial	619,247	<u>17%</u>
		100%

Source: SPMUD

⁽¹⁾ The amount of Wastewater Service Charge Revenue in this table excludes revenue generated from late charges.

The following table shows the five largest users of the District by wastewater service charge revenues during the Fiscal Year ended June 30, 2000.

**South Placer Municipal Utility District
Five Largest Users
Fiscal Year Ended June 30, 2000**

<u>User</u>	<u>Revenue</u>	<u>Percentage</u>
Sierra College	\$ 54,829	1.48%
Del Oro High School	15,222	.41
Rocklin High School	14,278	.39
First Choice Inn	12,077	.33
KOA Kampground	<u>10,602</u>	<u>.29</u>
Total	\$107,008	2.90%

Source: SPMUD

Rates and Charges

The District funds the cost of the operation, maintenance and replacement, and capital expansion of its collection system through a user fee system involving service fees and connection charges. Sewer service fees and connection charges are determined by an ordinance adopted by the Board of Directors of the District and are subject to change in accordance with the provisions of Section 14401 of the Act. Such rates are examined each year and are adjusted as needed to meet budgetary requirements. The charges established by the District are not subject to review or approval by any other agency. See "CONSTITUTIONAL LIMITATIONS ON TAXES AND SEWER RATES AND CHARGES -- Articles XIIC and XIID of the California Constitution" in the forepart of this Official Statement.

Current Service Charges and Billing. The monthly rate for residential wastewater service is currently \$15.75 and has been in effect since July 1, 2000. The monthly rate for commercial wastewater service is based upon the rate of \$15.75 multiplied by the number of equivalent dwelling units allocated to such commercial building. Residential and commercial customers are billed quarterly.

Adopted Future Service Charges. The District has adopted an increase to its monthly rates for wastewater service of \$0.25 to \$16.00 for the Fiscal Years ending June 30, 2002 and June 30, 2003.

Current Connection Charges. A connection fee is a one-time fee for a new, additional or larger connection to the District's collection system. Because connection fees are primarily collected on new construction within the District, revenues obtained from such fees vary based on the level of construction activity. The current connection fee is \$4,695 which includes the District's Local Connection Fee in the amount of \$1,500 and the Regional Connection Fee collected by the District and remitted to the City in the amount of \$3,195. See "SECURITY FOR THE BONDS -- Funding Agreement -- Rate Stabilization Fund; Regional Connection Fees."

Delinquencies. At the end of each Fiscal Year, delinquent sewer charges are forwarded to Placer County where they are added to the tax rolls. Accounts assigned to the tax rolls during the Fiscal Year ended June 30, 2000 amounted to \$58,733. The District has not experienced annual uncollected delinquencies for wastewater users exceeding \$59,000 (less than 2%) of total billings over the last 5 years.

Financial Information

Budgetary Process. The Board of Directors of the District approves each year's budget submitted by the District's General Manager. The operating budget is subject to supplemental appropriations, budget transfers and other changes throughout the year in order to provide flexibility to meet changing needs and conditions. These supplemental appropriations, budget transfers and other changes are subject to the approval of the Board of Directors of the District.

Financial Statements. The table below presents summaries of financial data relating to the District for the Fiscal Years ended June 30, 1996 through 2000. This data is extracted from the District's audited financial statements for such years. The District's audited financial statements are currently audited by Jackson D. (Jack) Brown, Carmichael, California, in accordance with generally accepted auditing standards, and contain opinions that the financial statements present fairly the financial position of the various funds maintained by the District. The report includes certain notes to the financial statements which may not be fully described below. Such notes constitute an integral part of the audited financial statements. See APPENDIX C-2 -- "SOUTH PLACER MUNICIPAL UTILITY DISTRICT AUDIT."

Significant Accounting Policies. The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. See Note 1 to Appendix C-2 for more information on significant accounting policies of the District.

**South Placer Municipal Utility District
Summary of Historical Operating Results⁽¹⁾
Fiscal Years Ending June 30, 1996 through 2000**

	1996	1997	1998	1999	2000
Gross Revenues :					
Wastewater Service Charges	\$2,519,261	\$2,668,563	\$2,982,306	\$3,266,007	\$3,712,118
Local Connection Fees	728,730	1,182,375	1,825,880	2,918,239	2,257,242
Interest Income	612,236	715,938	907,027	989,152	1,312,779
Taxes	194,310	199,378	207,533	227,509	268,527
Other Revenue	110,998	178,591	253,726	284,835	217,126
Total Gross Revenues	4,165,535	4,944,845	6,176,472	7,685,742	7,767,792
Operation & Maintenance Costs (2):	2,827,102	2,621,627	3,056,631	2,951,873	3,168,716
Available Net Revenues	1,338,433	2,323,218	3,119,841	4,733,869	4,599,076
Regional Connection Fees (3)	\$1,568,264	\$2,491,484	\$3,798,703	\$6,085,684	\$4,783,673

(1) Figures derived from SPMUD's audited financial statements.

(2) Operation & Maintenance Costs exclude depreciation and include both local collection system operation and maintenance costs and SPMUD's share of Regional Operation & Maintenance Costs.

(3) Regional Connection Fees were transferred to Roseville for deposit into the Regional Construction Fund.

Management's Discussion and Analysis. The following discussion relates to certain items shown in the table above.

Gross Revenues and Regional Connection Fees. Gross Revenues and Regional Connection Fees for SPMUD have grown consistently over the period from the Fiscal Years ended June 30, 1996 through 2000, from \$5.73 million to \$12.55 million, an average annual rate of 23 percent. This increase was due primarily to growth in Local and Regional Connection Fees. Wastewater Service Charges grew at an average annual rate of 10 percent. Local Connection Fees increased at an average annual rate of 38 percent. Over the same time period, Regional Connection Fees also grew at an average annual rate of 38 percent. The significant growth in Local and Regional Connection Fee revenues is due primarily to increased development in the City of Rocklin, and to modest increases in the components of the connection fee over the time periods shown.

Operations and Maintenance Costs. Operations & Maintenance Costs for SPMUD grew at an average annual rate of 3%. In Fiscal Year 1998, Operations & Maintenance Costs increased 17% due to deferred maintenance costs incurred in that year.

Projected Operating Results. The District's estimated projected operating results for the District's collection system for the Fiscal Years ending June 30, 2001 through 2005 are set forth below, reflecting certain significant assumptions concerning future events and circumstances. The financial forecast represents the District's estimate of projected financial results based upon its judgment of the probable occurrence of future events. The assumptions set forth in part in the footnotes to the chart set forth below are material in the development of the District's financial projections, and variations in the assumptions may produce substantially different financial results. Actual operating results achieved during the projection period may vary from those presented in the forecast and such variations may be material.

South Placer Municipal Utility District
Summary of Projected Operating Results ⁽¹⁾
Fiscal Year Ending June 30, 2001 through 2005

	2001 ⁽²⁾	2002	2003	2004	2005
Participant Gross Revenues (3):					
Wastewater Service Charges	\$3,864,000	\$4,015,680	\$4,188,480	\$4,361,280	\$4,534,080
Local Connection Fees (4)	1,530,000	1,350,000	1,350,000	1,350,000	1,350,000
Interest Income (5)	1,400,000	1,200,000	1,200,000	1,200,000	1,200,000
Taxes (6)	290,000	295,800	301,716	307,750	313,905
Other Revenue (7)	143,300	147,599	152,027	156,588	161,285
Total Participant Gross Revenues	<u>7,227,300</u>	<u>7,009,079</u>	<u>7,192,223</u>	<u>7,375,618</u>	<u>7,559,271</u>
Participant Local Operation & Maintenance Costs (3),(8)	1,614,950	1,663,399	1,713,300	1,764,699	1,817,640
Regional Operation & Maintenance Costs (3),(9)	1,342,464	1,506,459	1,633,068	1,682,105	1,715,708
Total Operation & Maintenance Costs	<u>2,957,414</u>	<u>3,169,858</u>	<u>3,346,368</u>	<u>3,446,804</u>	<u>3,533,348</u>
Participant Net Revenues (3)	<u>4,269,886</u>	<u>3,839,221</u>	<u>3,845,855</u>	<u>3,928,814</u>	<u>4,025,923</u>
Series A & B Bond Debt Service					
Proportionate Share of Debt Service (3),(10)	823,706	2,362,005	2,413,434	2,412,581	2,411,686
RSF Withdrawal for Debt Service	(823,706)	(2,362,005)	(2,413,434)	(2,412,581)	(2,411,686)
Proportionate Share of Debt Service Net of RSF Draws	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Revenues Available after Debt Service	<u>4,269,886</u>	<u>3,839,221</u>	<u>3,845,855</u>	<u>3,928,814</u>	<u>4,025,923</u>

Rate Stabilization Fund ("RSF") Activity					
Beginning Balance	20,455,926	30,040,742	32,286,939	34,626,631	37,118,992
Deposits (Regional Connection Fees) (4), (11), (12)	12,519,900	2,894,191	2,913,003	2,931,938	2,950,995
Interest Earnings at 5.5%	1,388,658	1,714,011	1,840,123	1,973,005	2,114,525
Withdrawals (13)	(4,323,742)	(2,362,005)	(2,413,434)	(2,412,581)	(2,411,686)
Ending Balance	<u>\$30,040,742</u>	<u>\$32,286,939</u>	<u>\$34,626,631</u>	<u>\$37,118,992</u>	<u>\$39,772,826</u>

(1) Estimates were prepared by SPMUD staff.

(2) Unless otherwise specified in the notes below, FY 2000-2001 estimates are derived from SPMUD's FY 2000-2001 Budget.

(3) Per definitions in the Funding Agreement: Operation & Maintenance Costs exclude depreciation.

(4) As described in the Funding Agreement, only "Available Local Connection Fees" that are determined by a Participant on a case-by-case basis to be available to pay Debt Service can be included as part of "Participant Gross Revenues." Regional Connection Fees flow to the Rate Stabilization Fund. See "SECURITY FOR THE BONDS" in the forepart of this Official Statement. For each fiscal year, Local and Regional Connection Fees are projected based upon FY 2000-2001 fee levels multiplied by the number of equivalent dwelling units ("EDUs") projected to connect to SPMUD's Enterprise. Regional Connection Fees are escalated at 0.65% annually starting in FY 2001-2002 based upon FY 2000-2001 fees. The EDUs projection is based upon SPMUD's assessment of anticipated growth in its service area. The annual EDUs projection used in this proforma is provided below:

Annual EDUs Projected	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
	1,020	900	900	900	900

(5) "Interest Income" revenues generated by SPMUD's reserves are projected to remain constant between FY 2001-2002 and FY 2004-2005 at a level of \$1.2 million.

(6) "Taxes" are expected to escalate at an annual rate of 2.00% from the FY 2000-2001 budget estimate.

(7) "Other Revenue" is expected to escalate at an annual rate of 3.00% from the FY 2000-2001 budget estimate.

(8) Local collection system operation and maintenance costs are escalated at a rate of 3.00% per year from FY 2000-2001's budgeted local operation and maintenance costs.

(9) Regional Operation & Maintenance Costs are based on SPMUD's projected share of capacity usage and Roseville's projected costs of operating the Regional Wastewater System.

(10) The Proportionate Shares of Debt Service are based upon initial capacity allocation and projected debt service. Series B debt service is projected based on an interest rate of 4.00%. Figures are net of projected reserve fund earnings.

(11) The FY 2000-2001 deposits include reimbursements estimated to be incurred prior to closing. SPMUD's share of reimbursements is approximately \$9.26 million.

(12) Includes Regional Connection Fees attributable to SPMUD.

(13) Withdrawals from the Rate Stabilization Fund reflect Series A and B Bond debt service. In FY 2000-2001, withdrawals also reflect capital costs incurred prior to closing.

Outstanding Long-Term Obligations

Currently, the District has no outstanding long-term obligations.

Insurance

The District currently maintains commercial property insurance with a claims limit for buildings of approximately \$1,000,000 and a deductible of \$2,500 per claim. The District also maintains comprehensive general liability insurance with a claims limit of \$2,000,000 in the aggregate, an each occurrence limit of \$1,000,000 and a deductible of \$1,500 per claim. Excess liability insurance currently is maintained by the District with a claims limit up to \$5,000,000. The District currently maintains a separate workers' compensation policy.

Employees

The District has 17 full-time equivalent employees. Three of these employees are represented by Local 39 under a contract that expires in June 2003. The District has not had any work stoppages by its employees.

Investment Policy

The District adopted an Investment Policy in 1996 pursuant to Resolution No. 96-4. In accordance with Section 10 of the Resolution No. 96-4, the Board of Directors of the District is required to review the Investment Policy on an annual basis. Certain provisions of the Investment Policy are summarized below.

Authorized Investments. The District is authorized to invest in investments listed in Section 53601 and related subsections of the California Government Code.

Basic Policy and Objectives. The Investment Policy of the District is a conservative policy guided by three principles of public fund management. In specific order of importance, the three principles are:

- (a) Safety of Principal – Investments shall be undertaken in a manner which first seeks to preserve portfolio principal.
- (b) Liquidity – Investments shall be made with maturity dates that are compatible with cash flow requirements and which will permit easy and rapid conversion into cash, at all times, without a substantial loss of value.
- (c) Return on Investment – Investment shall be undertaken to produce an acceptable rate of return after first consideration for principal and liquidity.

Reporting Requirements. Each month the Treasurer of the District, with the cooperation of staff, is required to prepare and submit a report of investment transactions to the Board of Directors of the District. This report will be sufficiently detailed to provide information for investment evaluation. This report will also contain a statement of compliance of the portfolio with the statement of Investment Policy and a statement of the District's ability to meet its expenditure requirements for the next six (6) months.

Current Investment. All funds invested by the District are currently invested in the State of California Local Agency Investment Fund (LAIF).

APPENDIX C-2

SOUTH PLACER MUNICIPAL UTILITY DISTRICT AUDIT

APPENDIX D-1

INFORMATION CONCERNING THE PROVISION OF WASTEWATER COLLECTION SERVICE TO CERTAIN AREAS WITHIN THE COUNTY OF PLACER

Certain County Wastewater Entities

The County of Placer (the "County") provides wastewater collection services to certain of its residents through a sewer maintenance district ("SMD No. 2") and two county service areas ("CSA No. 2A" and "CSA No. 55") (collectively, the "County's Wastewater Entities"). Each of these entities is accounted for as a separate enterprise fund. Only a small number of customers in CSA No. 55 presently are connected to the Regional Wastewater Facilities; the majority of customers in CSA No. 55 are connected to Sacramento County's regional sewer system. Additional portions of CSA No. 55 may be added to the areas served by Regional Wastewater Facilities in the future upon the County's compliance with all legal and administrative requirements therefor. **Sewer collection service is provided to other residents of the County through other sewer maintenance districts and county service areas, revenues from which are not in any way pledged under the Funding Agreement, the Indenture or involved in the repayment of the Bonds.** SMD No. 2 was established in 1961, comprises 11.2 square miles and serves a population of approximately 16,000, involving 6,315 equivalent dwelling units. CSA No. 2A was established in 1963, comprises 2.3 square miles of industrial property, involving 763 equivalent dwelling units. CSA No. 55 was established in 1978, comprises 0.2 square miles and serves a population of approximately 500, involving 195 equivalent dwelling units.

It is possible that the County may connect a fourth entity, sewer maintenance district No. 3 ("SMD No. 3"), to the Regional Wastewater System in the future as part of an effort to regionalize sewer treatment throughout the western portion of the County. The County has been working to develop federal funding for the costs involved in regionalizing sewer treatment. If the County is able to obtain federal funding in the requisite amount, the County expects to connect SMD No. 3 to the Regional Wastewater System by the Fiscal Year ending June 30, 2003. The projections contained in this Appendix D-1 under the heading "Financial Information – Projected Operating Results" assume that SMD No. 3 will be added to the Regional Wastewater System in the Fiscal Year ending June 30, 2003. However, there is no assurance that such entity will be added to the Regional Wastewater System.

Governance and Management

The County's Wastewater Entities are independent special districts that are governed by the Board of Supervisors of the County and are operated by the Special Districts Division of the County's Department of Facility Services. The senior management of the Department consists of the following personnel:

JIM DURFEE, Deputy Director. Mr. Durfee attended Sierra College, California State University Sacramento and the University of California at Davis, and has a degree in Agriculture and certificates in Environmental Management and Hazardous Materials Management. Mr. Durfee has been employed with the County since 1985, serving as a Senior Project Manager, Senior Planner, Solid Waste Program Manager, and is currently Deputy Director of the Department of Facility Services responsible for the Solid Waste Management and Special Districts Divisions. Mr. Durfee has extensive experience in managing construction and environmental projects, and in government management.

WARREN J. TELLEFSON, Special Districts Program Manager. Mr. Tellefson holds a B.S. in Civil Engineering from the California State Polytechnic College, Pomona, and a M.S. in Sanitary Engineering from the California State University Sacramento. Mr. Tellefson has been employed by the County from 1976 to 1994 as an Associate Civil Engineer, in charge of sanitary engineering projects for the Special Districts Division, including supervision of engineering and office staff. In 1994, Mr. Tellefson was appointed the Special Districts Program Manager, and is responsible for management of the Special Districts Division of the Department of Facility Services. The Division operates and maintains seven county sewer districts and twelve drainage districts. Prior to working for the County, Mr. Tellefson was employed by Raymond Vail and Associates Engineers, specializing in wastewater projects in the central California area.

TOM MILLER, Director of Facility Services. Mr. Miller has a B.A. in Environmental Studies from California State University at Sacramento. Mr. Miller has extensive experience managing County public works and planning programs, having served for over 14 years in the capacity as either a Director of Facility Services, Transportation, Planning or County Administrator. In his current capacity of Director of Facility Services, Mr. Miller manages a large general services department which provides custodial and maintenance service for over 1.5 million square feet of occupied space, new facility construction, property management, park development and maintenance, wastewater services including plant operations, and county-wide solid waste services including maintenance of, and operation of, active and closed landfills.

Wastewater Collection Facilities

SMD No. 2 is comprised of approximately 110 miles of six to twenty-one inch sewer pipe and 7 lift stations. CSA No. 2A is comprised of 7.8 miles of four to twenty-one inch sewer pipe and 2 sewage pump stations. CSA No. 55 is comprised of about 10,000 feet of six and eight inch sewer pipe.

Wastewater Permits, Licenses and Other Regulations

The County’s Wastewater Entities are not subject to any regulation by state or local agencies.

Wastewater Service Area and Customers

The following tables show the current number of equivalent dwelling units and connections served by SMD No. 2, CSA No. 2A and CSA No. 55 by class of user and revenues by class of user.

**County’s Wastewater Entities
Number of Equivalent Dwelling Units
by Class of User
As of December 31, 1999**

<u>Class of User</u>	<u>SMD No. 2</u>	<u>CSA No. 2A</u>	<u>CSA No. 55</u>	<u>Total</u>
Residential	5,920	0	191	6,111
Commercial/Industrial	132	716	3	851
Direct Bill ⁽¹⁾	<u>263</u>	<u>47</u>	<u>2</u>	<u>312</u>
Total	6,315	763	196	7,274

Source: Placer County

⁽¹⁾ See “Rates and Charges – Current Service Charges and Billing” below.

**County’s Wastewater Entities
Number of Connections
by Class of User
As of December 31, 1999**

<u>Class of User</u>	<u>SMD No. 2</u>	<u>CSA No. 2A</u>	<u>CSA No. 55</u>	<u>Total</u>
Residential	5,920	0	191	6,111
Commercial/Industrial	32	35	1	68
Direct Bill ⁽¹⁾	<u>14</u>	<u>4</u>	<u>1</u>	<u>19</u>
Total	5,966	39	193	6,198

Source: Placer County

⁽¹⁾ See “Rates and Charges – Current Service Charges and Billing” below.

**County's Wastewater Entities
Revenues⁽¹⁾ by Class of User
Fiscal Year Ended June 30, 1999**

<u>Class of User</u>	<u>SMD NO. 2</u>	<u>CSA No. 2A</u>	<u>CSA No. 55</u>	<u>Total</u>	<u>Percentage</u>
Residential	\$1,456,320	\$ 0	\$42,512	\$1,498,832	85.0%
Commercial/Industrial	32,472	156,426	660	189,558	10.7
Direct Bill	<u>64,698</u>	<u>11,562</u>	<u>465</u>	<u>76,725</u>	<u>4.3</u>
Total	\$1,553,490	\$167,988	\$43,637	\$1,765,115	100.0%

Source: Placer County

⁽¹⁾ Includes revenues generated from wastewater service charges and local connection fees.

The following table shows the five largest users of County's Wastewater Entities by revenues during the Fiscal Year ended June 30, 1999.

**Five Largest Users
Fiscal Year Ended June 30, 1999**

<u>User</u>	<u>Revenue⁽¹⁾</u>	<u>Percentage of Total Revenues</u>
Formica (CSA No.2A)	\$ 47,534	2.7%
Granite Bay H. S. (SMD No. 2)	27,779	1.6
Hewlett-Packard (CSA No. 2A)	23,735	1.3
Ultrapower (CSA No. 2A)	13,094	0.7
Granite Bay Golf Club (SMD No. 2)	<u>8,116</u>	<u>0.5</u>
Total	\$120,258	6.8%

Source: Placer County

⁽¹⁾ Includes revenues generated from wastewater service charges and local connection fees.

Rates and Charges

The rate setting method for user fees for the County's Wastewater Entities is as follows:

- (1) A budget is prepared for each of the County's Wastewater Entities. Each budget consists of four parts: wastewater treatment charges from the City of Roseville; maintenance costs to operate the wastewater collection systems that transport sewage to the City of Roseville; maintenance related improvement projects; and capital improvement projects.
- (2) Local Connection Fees fund capital improvement projects for the wastewater collection systems of the County's Wastewater Entities.
- (3) The City of Roseville estimates the cost of providing wastewater treatment to each of the County's Wastewater Entities each year. The cost of maintenance and maintenance related projects are then estimated and the total cost of operation and maintenance are combined.
- (4) The estimated operations and maintenance cost is divided by the total number of equivalent dwelling units connected to the wastewater collection system of each of the County's Wastewater Entities. The result is the needed user fee for the proposed budget.
- (5) If the fee needs to be increased, recommended increases are presented to the County's Board of Supervisors for approval at a public hearing in accordance with Proposition 218.

See “CONSTITUTIONAL LIMITATIONS ON TAXES AND SEWER RATES AND CHARGES -- Articles XIIIIC and XIID of the California Constitution” in the forepart of this Official Statement.

Current Service Charges and Billing. The current sewer service charge per equivalent dwelling unit is \$20.50 per month for SMD No. 2 and CSA No. 2A and \$18.30 per month for CSA No. 55. The Placer County Assessor collects the majority of these fees twice a year in conjunction with property taxes. Properties that are exempt from property taxes are billed for sewer service directly.

Current Connection Charges. A connection fee is a one-time fee for a new, additional or larger connection to the County’s Wastewater Entities. Because connection fees are primarily collected on new construction within the County, revenues obtained from such fees vary based on the level of construction activity. The connection fees are a combination of the Regional Connection Fee and a Local Connection Fee charged by each of the County’s Wastewater Entities. The fees are projected based on capital improvements plans and are adjusted for inflation. When a fee adjustment is proposed by either the City of Roseville (with respect to the Regional Connection Fee) or by County staff (with respect to the Local Connection Fee), the proposed new connection fee is presented to the County’s Board of Supervisors for approval at a public hearing.

The current connection fees for the County’s Wastewater Entities are:

<u>Entity</u>	<u>Regional Connection Fee</u>	<u>Local Connection Fee</u>
SMD No. 2	\$3,195	\$795
CSA No. 2A	3,195	795
CSA No. 55	3,195	230

See “SECURITY FOR THE BONDS -- Funding Agreement -- Rate Stabilization Fund; Regional Connection Fees.”

Delinquencies. The majority of the user fees are collected on the property tax rolls. Several years ago, the County implemented a “Teeter” program. The County’s Wastewater Entities are guaranteed 99% of the fee submitted each year for inclusion on the tax rolls.

Financial Information

Budgetary Process. The operating budgets for the County’s Wastewater Entities are developed on an annual basis. The budgets are presented on an objective basis, and are developed to achieve identified objectives at the lowest possible cost to the rate-payers.

Financial Statements. The table below presents summaries of financial data relating to the County’s Wastewater Entities for the Fiscal Years ended June 30, 1995 through 1999. This data is extracted from the County’s audited financial statements for such years. The County’s audited financial statements are currently audited by Macias, Gini & Company LLP, Sacramento, California, in accordance with generally accepted auditing standards, and contains opinions that the financial statements present fairly the financial position of the various funds maintained by the County. The report includes certain notes to the financial statements which may not be fully described below. Such notes constitute an integral part of the audited financial statements. See APPENDIX D-2 -- “FINANCIAL INFORMATION CONCERNING CERTAIN OF THE COUNTY OF PLACER’S WASTEWATER ENTITIES.”

Significant Accounting Policies. The accounting policies of the County conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. See Note 1 to Appendix D-2 for more information on significant accounting policies of the County.

**Combined Enterprise Funds for County’s Wastewater Entities
Summary of Historical Results⁽¹⁾
Fiscal Year Ended June 30, 1995 through 1999**

	1995	1996	1997	1998	1999
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Gross Revenues:

Wastewater Service Charges	\$1,061,119	\$1,169,009	\$1,224,160	\$1,554,873	\$1,512,127
Local Connection Fees	304,024	223,326	387,856	244,848	248,065
Interest Income	292,903	232,054	194,000	217,898	264,537
Other Revenue	160,728	24,632	394,601	122,714	168,461
Total Gross Revenues	1,818,774	1,649,021	2,200,616	2,140,333	2,193,190
Operation & Maintenance Costs (1), (2):	1,330,074	2,231,925	2,003,446	1,551,611	2,325,722
Available Net Revenues	488,699	(582,904)	197,170	588,723	(132,533)
Regional Connection Fees (3)	\$855,796	\$1,671,447	\$1,348,011	\$691,747	\$667,760

(1) Figures were prepared by the County. FY 1994-1995 through FY 1997-1998 figures are based on the County's audited financial reports. Figures for FY 1998-1999 have been audited and provided by the County.

(2) Operation & Maintenance Costs exclude depreciation and include both local collection system operation and maintenance costs and the County's share of Regional Operation & Maintenance Costs.

(3) Regional Connection Fees were transferred to Roseville for deposit into the Regional Construction Fund.

Management's Discussion and Analysis. The following discussion relates to certain items shown in the table above.

Gross Revenues. Gross Revenues for the County's Wastewater Entities, not including Regional Connection Fees, grew from \$1.82 million in the Fiscal Year ended June 30, 1995 to \$2.19 million in the Fiscal Year ended June 30, 1999, an average annual rate of 6 percent. From the Fiscal Year ended June 30, 1995 through 1996, revenues declined by 9 percent. They increased the following year by 33 percent and were relatively level over the remainder of the time period. This pattern in gross revenue growth was driven in part by Local Connection Fee intake from the period of the Fiscal Year ended June 30, 1995 through 1999, which declined by an average of 5 percent per year over the five year period. From the Fiscal Year ended June 30, 1995 to 1996, local connection fee revenue declined by 26 percent, increased in the Fiscal Year ended June 30, 1997 by 73 percent, then declined in the Fiscal Year ended June 30, 1998 by 36 percent before leveling off in the Fiscal Year ended June 30, 1999. The fluctuation in Local Connection Fees was due to the fact that the Regional Connection Fee had not been regularly adjusted to the required levels and therefore the Local Connection Fee revenue absorbed the increase in the required Regional Connection Fees.

Regional Connection Fees increased by 95 percent from the Fiscal Year ended June 30, 1995 to 1996, declined by 19 percent in the Fiscal Year ended June 30, 1997, declined further in the Fiscal Year ended June 30, 1998 by approximately 49 percent and remained at those levels through the Fiscal Year ended June 30, 1999. The fluctuation in Regional Connection Fee revenues is due to the nature of the developable land available in the existing service areas. In SMD No. 2, there are relatively few large parcels of land available. The majority of the development in this area over the past five years has been "infill" development, consisting of smaller (10 to 25 acre) parcels. Development of the new regional infrastructure will open up large tracts of land zoned for residential, commercial and industrial uses. The peak in Regional Connection Fees during the Fiscal Year ended June 30, 1996 was due to the connection of the new Granite Bay High School.

In addition, Wastewater Service Charges grew steadily through the Fiscal Year ended June 30, 1998 and leveled off in the Fiscal Year ended June 30, 1999, at an average annual growth rate of 10 percent over the five year time period.

Operations and Maintenance Costs. Operations & Maintenance Costs for the County grew from \$1.33 million (for the Fiscal Year ended June 30, 1995) to \$2.32 million (for the Fiscal Year ended June 30, 1999). The initial increase in Operations & Maintenance Costs for the Fiscal Year ended June 30, 1995 to 1996, approximately 68 percent, was due to the Department of Facility Services taking over operation of the Special Districts Division in 1995. At that time, maintenance levels were deemed to be insufficient, and in the Fiscal Years ended June 30, 1996, 1997 and 1999, additional operations and maintenance was

performed in order to provide infrastructure maintenance that had been neglected during previous years. Costs declined by 22 percent for the Fiscal Year ended June 30, 1997 to 1998 and returned to the Fiscal Year ended June 30, 1996 levels in the Fiscal Year ended June 30, 1999. The increase in Operations & Maintenance Costs in the Fiscal Year ended June 30, 1999 are due to one-time deferred and preventative maintenance expenses that were incurred in that year and are not expected to recur.

Projected Operating Results. The County's estimated projected operating results for the County's Wastewater Entities for the Fiscal Years ending June 30, 2000 through 2005 are set forth below, reflecting certain significant assumptions concerning future events and circumstances. The financial forecast represents the County's estimate of projected financial results based upon its judgment of the probable occurrence of future events. The assumptions set forth in part in the footnotes to the chart set forth below are material in the development of the County's financial projections, and variations in the assumptions may produce substantially different financial results. Actual operating results achieved during the projection period may vary from those presented in the forecast and such variations may be material.

**Combined Enterprise Funds for County's Wastewater Entities
Summary of Projected Operating Results⁽¹⁾
Fiscal Year Ending June 30, 2000 through 2005**

	2000 ⁽²⁾	2001	2002	2003	2004	2005
Participant Gross Revenues (3):						
Wastewater Service Charges (4)	\$1,674,330	\$1,736,330	\$2,266,711	\$2,499,726	\$2,820,761	\$3,363,883
Local Connection Fees (5)	308,146	273,109	412,326	600,770	696,172	752,749
Interest Income (6)	230,913	210,691	273,046	360,265	474,464	624,356
Other Revenue (7)	202,683	208,764	215,027	221,478	228,122	234,966
Total Participant Gross Revenues	2,416,073	2,428,893	3,167,109	3,682,239	4,219,519	4,975,954
Participant Local Operation & Maintenance Costs (3),(8)	1,668,764	1,218,708	1,255,269	1,292,928	1,331,715	1,371,667
Regional Operation & Maintenance Costs (3),(9)	746,834	476,779	549,203	626,411	718,572	771,806
Total Operation & Maintenance Costs	2,415,598	1,695,487	1,804,473	1,919,338	2,050,287	2,143,473
Participant Net Revenues	475	733,407	1,362,636	1,762,901	2,169,232	2,832,481
Series A & B Bond Debt Service						
Proportionate Share of Debt Service (3),(10)		686,422	1,968,338	2,011,195	2,010,484	2,009,739
RSF Withdrawal for Debt Service		(686,422)	(1,968,338)	(2,011,195)	(2,010,484)	(2,009,739)
Proportionate Share of Debt Service Net of RSF Draws		0	0	0	0	0
Net Revenues Available after Debt Service	475	733,407	1,362,636	1,762,901	2,169,232	2,832,481
Capital Expenditures			250,000	250,000	250,000	250,000
Net Revenues Available after Debt Service and Capital Expenditures	475	733,407	1,112,636	1,512,901	1,919,232	2,582,481
Rate Stabilization Fund ("RSF") Activity						
Beginning Balance		4,487,322	6,692,439	6,782,952	7,627,926	10,598,004
Deposits (Regional Connection Fees) (5), (11), (12)		3,474,660	1,688,278	2,459,869	4,479,349	3,082,150
Interest Earnings at 5.5%		307,443	370,573	396,299	501,213	629,698
Withdrawals (13)		(1,576,986)	(1,968,338)	(2,011,195)	(2,010,484)	(2,009,739)
Ending Balance		\$6,692,439	\$6,782,952	\$7,627,926	\$10,598,004	\$12,300,114

(1) Estimates were prepared by County staff.

(2) Unless otherwise specified in the notes below, FY 1999-2000 estimates are derived from the County's FY 1999-2000 Budget.

(3) Per definitions in the Funding Agreement; Operation & Maintenance Costs exclude depreciation. Gross Revenues and Operation & Maintenance Costs pertain only to the County's Wastewater Entities.

(4) Wastewater Service Charges are projected to increase in all of the County's Wastewater Entities in FY 2001-2002 by approximately 24%.

After FY 2001-2002, Wastewater Service Charges for all of the County's Wastewater Entities are assumed to escalate at a rate of 3.00% per year.

(5) As described in the Funding Agreement, only "Available Local Connection Fees" that are determined by a Participant on a case-by-case basis to be available to pay Debt Service can be included as part of "Gross Revenues." Regional Connection Fees flow to the Rate Stabilization Fund. See "SECURITY FOR THE BONDS" in the forepart of this Official Statement. For each fiscal year, Local and Regional Connection Fees are projected based upon FY 2000-2001 fee levels, escalated at 0.65% annually, multiplied by the number of equivalent dwelling units ("EDUs") projected to connect to the County's Wastewater Entities. The EDUs projection is based upon Placer County's assessment of anticipated growth within its respective service areas. The annual EDUs projection used in this proforma projection is provided below:

	2001	2002	2003	2004	2005
Annual EDUs Projected	350	525	760	1,375	940

In FY 2003-2004, SMD #3 is expected to be transferred into Placer County's wastewater system. For these 500 connections, Regional Connection Fees, but not Local Connection Fees, would be collected. As a result, Local Connection Fees for FY 2003-2004 include 500 less EDUs than the proforma projection.

(6) Includes interest income derived from the investment of projected reserves (from Placer County's Reserve Fund) at a rate of 5.5%.

(7) "Other Revenues" are escalated at a rate of 3.00% per year.

(8) Local collection system operation and maintenance costs are estimated based on actual FY 1997-1998 operation and maintenance costs, escalated at an annual rate of 3.00%.

Total Operation & Maintenance Costs for FY 1998-1999 and Budget FY 1999-2000 are not representative of typical Operation & Maintenance Costs as they reflect one-time deferred and preventative maintenance costs incurred in those two years.

(9) Regional Operation & Maintenance costs are based on the County's projected share of capacity usage and Roseville's projection of Regional Operation & Maintenance Costs.

(10) The Proportionate Shares of Debt Service are based upon initial capacity allocation and projected debt service. Series B debt service is projected based on an interest rate of 4.00%. Figures are net of projected reserve fund earnings.

(11) The FY 2000-2001 deposits include reimbursements estimated to be incurred prior to closing. The County's share of reimbursements is approximately \$2.36 million.

(12) Includes Regional Connection Fees attributable to the County. FY 1999-2000 Regional Connection Fees are estimated to be \$473,192, based upon the Regional Partners Connection Fee Program report/audit (September 1, 2000).

(13) Withdrawals from the Rate Stabilization Fund reflect Series A & B Bond debt service. In FY 2000-2001, withdrawals also reflect capital costs incurred prior to closing.

Outstanding Long-Term Obligations

None of the County's Wastewater Entities currently has any outstanding debt.

Insurance

The County is exempt from insurance requirements of the State of California and is therefore legally uninsured. However, the County does maintain a self-insurance fund for purposes of either general liability or automobile liability claims, up to \$1,000,000 per person. The County carries excess General/Automobile Liability Insurance up to \$10,000,000 per accident. The County is also self-insured for Workers' Compensation coverage up to \$125,000 and carries Excess Workers' Compensation coverage above \$125,000 to the statutory limit.

Employees

The Special Districts Division of the County's Department of Facility Services manages the sewer, drainage and water operations throughout the County, including the County's Wastewater Entities, with 44 full-time employees, including the Division Manager, a twelve-member engineering/permitting group, seven treatment plant operators, two laboratory technicians, nineteen utility service workers, a project manager, a clerk and a GIS technician. Labor costs are budgeted for each of the County's Wastewater Entities and unforeseen labor needs are provided on a cost basis. All of the nonmanagement employees are unionized. The County has not had any work stoppages by its employees.

Investment Policy

The County Treasurer manages, in accordance with California Government Code Section 53600 *et seq.*, funds deposited in the Treasury by the County, all County school districts, various special districts, including the County's Wastewater Entities and some cities within the County. State law requires that all moneys of the County, school districts and certain special districts be held in the County Treasury. The County Treasurer accepts funds only from agencies located within the County. The moneys on deposit are predominantly derived from local government revenues consisting of property taxes, state and federal funding and other fees and charges.

Moneys deposited in the County Treasury by the participants represent an undivided interest in all assets and investments in the County Treasury based upon the amount deposited and the average daily balances. All investments in the County Treasurer's investment pool are amortized and accrued monthly and are priced on a monthly basis for informational purposes. Gains and losses are recorded when they are actually realized upon sale or other disposition of an investment and adjusting entries for market value are made at year-end if necessary as required by GASB 31. Investment earnings, less actual treasury administrative cost, are distributed monthly to all pool participants on a pro-rata basis based on average daily balance.

The County's investment policy states that preservation of capital and maintenance of liquidity shall be of primary concern with earnings to be at market rates of return commensurate with minimum levels of risk. The County Treasurer maintains a reserve of cash and cash equivalents projected to be more than sufficient to meet foreseeable liquidity needs. The policy allows for the purchase of a variety of securities as specified by California Government Code Sections 53601 and 53635 with further limitations and specifications regarding market risk, maturity, credit ratings and diversification. The County's Treasury Oversight Committee is required by state law to approve the investment policy and monitor conformance to the Supervisors of the County annually. Copies of the County's investment policy can be obtained from the County Treasurer-Tax Collector, 2976 Richardson Drive, Auburn, California 95603.

APPENDIX D-2

**FINANCIAL INFORMATION CONCERNING CERTAIN OF THE COUNTY OF PLACER'S
WASTEWATER ENTITIES**

The information in this Appendix D-2 referring to “Livotti Sewer” relates to CSA No. 55 and the information in this Appendix D-2 referring to “Sunset Whitney Sewer” relates to CSA No. 2A.

APPENDIX E

GENERAL DEMOGRAPHIC INFORMATION CONCERNING THE COUNTY OF PLACER

Each of the Participants is located within the southern portion of the County of Placer (the "County"). The combined service area of the Participants includes over 4.5% of the County's total area and the combined population of Participants is approximately 58% of the County's total population. Set forth below in this Appendix E is general demographic information concerning the County.

General

The County, which borders the state of Nevada on the east, Nevada County on the north, Yuba and Sutter Counties on the west and Sacramento and El Dorado Counties on the south, was incorporated in 1851. The County encompasses an area of approximately 1,500 square miles and includes six incorporated cities, with Auburn being the County seat. As of January 1, 2000, the County's population was estimated to be approximately 234,350. See "Population" below.

The County offers a great variety of elevations and terrain. From a minimum of 40 feet above sea level in the southwestern corner of the County near Roseville, the land rises to an elevation of 9,000 feet at the summit of the Sierra Nevada Mountains, near the County's northeastern boundary. The western portion of the County, an area of rolling foothills, provides the site for several large industrial areas and a major railroad marshaling and switching yard. To the northeast, the terrain becomes more mountainous, advancing from orchard land to high elevation timberland. The eastern side of the County, particularly the area surrounding Lake Tahoe, provides a setting for high-altitude winter sports and summer recreational activities. Over much of its length, the County is bounded by the American and Bear Rivers.

The climate in the lower elevations is generally characterized by warm summers and mild winters. The higher elevations experience the extremes of winter typical of such climates. In the more populated areas, monthly averages of daily extreme temperatures range from 39 degrees Fahrenheit minimum to 52 degrees Fahrenheit maximum in January, and 58 degrees Fahrenheit and 90 degrees Fahrenheit in July. The average annual rainfall is 36 inches, with an average annual snowfall of 216 inches in the Lake Tahoe area. Approximately 90% of average annual rainfall occurs in the six-month period extending from November to April.

Organization

The California Legislature approved the formation of the County in 1851 from portions of what were then Sutter and Yuba Counties. The County is a charter county divided into five districts on the basis of registered voters and population. The County is governed by a five member, non-partisan Board of Supervisors who serve alternate four year terms. The Supervisors elect one of the members as chairman annually and make program and policy decisions for the County. The County Administration includes appointed and elected officials, boards, commissions and committees that assist the Board of Supervisors in making decisions.

Population

The County's estimated 2000 population of 234,350 represents an increase of 23.7% over the 1993 population. The rate of growth in the County continues to exceed that of the State and the greater Sacramento Area. The County's population is expected to be over 286,000 by 2005. The fastest growing cities are expected to continue to be the Cities of Rocklin and Roseville. The following table shows population estimates for the County and the State as of January 1 for the past eight calendar years.

**Placer County and State of California Population Estimates
Calendar Years 1993 through 2000**

<u>Year</u>	<u>Placer County</u>	<u>California</u>
1993	189,400	31,303,000
1994	194,100	31,661,000
1995	199,600	31,910,000
1996	206,250	32,231,000
1997	212,370	32,609,000
1998	219,255	33,252,000
1999	227,535	33,773,466
2000	234,350	34,036,000

Source: California State Department of Finance, Demographic Research Unit.

Employment and Industry

The unemployment rate in the County as of August 2000 was 3.2% and the monthly average during calendar year 2000 has been 3.3%. Comparably the unemployment rates for the State and the nation, as of August 2000, were 5.0% and 4.1%, respectively. The following table shows the labor force, employment and unemployment figures for the County, the State and the nation for calendar years 1992 through 1999 and through August 2000.

**Placer County, State of California and United States
Labor Force, Employment and Unemployment
Annual Average for Calendar Years 1992 through 1999
and through August 2000**

<u>Year and Area</u>	<u>Civilian Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Rate</u>
1992				
Placer County	95,600	87,700	7,900	8.3%
State of California	15,404,300	13,973,300	1,431,000	9.3
United States	128,105,000	118,492,000	9,613,000	7.5
1993				
Placer County	95,200	87,700	7,500	7.9%
State of California	15,359,500	13,918,300	1,441,200	9.4
United States	129,200,000	120,259,000	8,941,000	6.9
1994				
Placer County	99,700	93,200	6,500	6.6%
State of California	15,450,000	14,122,100	1,327,900	8.6
United States	131,056,000	123,060,000	7,996,000	6.1
1995				
Placer County	102,900	96,500	6,400	6.2%
State of California	15,427,200	14,216,700	1,210,500	7.8
United States	132,304,000	124,900,000	7,404,000	5.6
1996				
Placer County	106,300	100,700	5,600	5.3%
State of California	15,596,100	14,469,900	1,126,200	7.2
United States	133,943,000	126,708,000	7,235,000	5.4
1997				
Placer County	110,600	105,500	5,100	4.6%
State of California	15,941,200	14,936,900	1,004,300	6.2
United States	136,297,000	129,558,000	6,739,000	4.9
1998				
Placer County	115,500	110,900	4,700	4.0%
State of California	16,329,100	15,360,600	968,500	5.9
United States	137,673,000	131,463,000	6,210,000	4.5
1999				
Placer County	119,900	116,000	3,900	3.2%
State of California	16,585,000	15,721,700	864,200	5.0
United States	139,369,000	133,492,000	5,877,000	4.2
2000 ⁽¹⁾				
Placer County	123,013	119,013	4,013	3.3%
State of California	17,225,700	16,369,400	856,300	5.0
United States	140,820,000	135,125,000	5,695,000	4.0

⁽¹⁾ Average through August 2000.

Source: California Employment Development Department (County and State data); Bureau of Labor Statistics (National data).

The follow table shows the annual average labor force and industry employment in the Sacramento Metropolitan Statistical Area (MSA) labor market, which includes the counties of Sacramento, El Dorado and Placer.

**Sacramento MSA
Annual Average Labor Force and Industry Employment
Calendar Years 1995 through 1999**

<u>Industry</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
Mining	200	200	200	200	200
Construction	27,600	30,000	33,200	37,100	43,800
Manufacturing	40,700	43,300	45,300	46,800	48,100
Trans. & Pub. Utilities	25,000	24,800	24,700	26,200	27,500
Wholesale & Retail Sales	239,500	243,600	248,400	254,200	262,800
Finance, Insurance & Real Estate	38,900	39,300	42,200	47,500	50,400
Services	157,700	167,100	173,900	182,500	193,500
Government	<u>165,800</u>	<u>166,700</u>	<u>169,100</u>	<u>171,800</u>	<u>178,600</u>
Total Non-Agricultural	587,000	605,200	625,200	652,000	686,800
Total Agriculture	<u>3,600</u>	<u>3,700</u>	<u>3,800</u>	<u>3,700</u>	<u>4,100</u>
Total All Industries	590,600	608,900	629,000	655,700	690,900

Source: California Employment Development Department.

According to the California Employment Development Department, the total number of jobs in the Sacramento MSA increased by 18,600 from August 1999 to August 2000 or 2.7%. This increase was due to gains in most major industries. Government experienced the largest gain of 5,800 jobs, with local education accounting for 70% of such increase. The services industry added 4,900 jobs and retail trade added 3,300 jobs. Manufacturing expanded by 1,700 jobs due to gains in electronics and other durable goods. Construction increased by 1,400 jobs. The finance, insurance and real estate industry increased by 800 jobs, wholesale trade by 500 jobs and transportation and public utilities division by 300 jobs. Somewhat offsetting the increase, farm employment decreased by 100 jobs. All other industries remained stable during the period.

The unemployment rate in the Sacramento MSA was down from 4.7% in July 2000 to 4.0% in August, 2000, slightly above the year-ago estimate of 3.8%. The August 2000 estimate compares favorably with the unadjusted unemployment rates of 5.0% for California and 4.1% for the nation during the same period.

According to the County's estimates as of August 2000, the County's labor force of 125,500 included 121,500 employed and 4,000 unemployed persons.

Commercial Activity

Total taxable sales in the County for 1998 increased by approximately 11% over 1997. The following table shows total taxable transactions within the County during calendar years 1995 through 1998 and through second quarter 1999.

**Placer County
Taxable Sales
Calendar Years 1995 through 1998 and through Second Quarter 1999
(Dollars in thousands)**

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999⁽¹⁾</u>
Apparel Stores	\$ 44,253	\$ 46,449	\$ 52,134	\$ 47,442	\$ 20,217

General Merchandise Stores	210,973	247,884	275,756	304,958	153,060
Specialty Stores	171,110	214,571	262,752	313,665	172,922
Food Stores	140,293	150,276	159,954	165,531	86,745
Packaged Liquor Stores	5,522	5,377	5,292	5,207	3,495
Eating and Drinking Establishments	190,423	205,414	224,664	240,631	131,749
Home Furnishings and Appliances	39,602	40,558	50,772	64,412	37,749
Building Materials and Farm Implements	176,597	188,843	203,043	225,474	104,206
Automotive, dealers and parts outlets					
	<u>778,888</u>	<u>822,232</u>	<u>887,961</u>	<u>978,206</u>	<u>541,396</u>
TOTAL RETAIL OUTLETS	1,757,661	1,921,604	2,122,328	2,345,526	1,309,401
Business and Personal Services	106,449	115,444	133,079	167,230	85,551
All Other Outlets	<u>648,770</u>	<u>746,502</u>	<u>810,988</u>	<u>892,422</u>	488,714
TOTAL ALL OUTLETS	<u>\$2,512,880</u>	<u>\$2,783,550</u>	<u>\$3,066,395</u>	<u>\$3,405,178</u>	<u>\$1,883,666</u>

⁽¹⁾ As of end of Second Quarter 1999.
Source: State Board of Equalization

Building Permit Activity

The following table shows the number and value of building permits issued in the County for the Fiscal Years 1996 through 1999 and through May 2000.

	Placer County Building Permits and Valuations Fiscal Years 1996 through 1999 and through May 2000 (Valuations for County Only)				
	1996	1997	1998	1999	2000 ⁽¹⁾
<u>County Valuation (000's omitted):</u>					
Residential	\$118,593	\$126,613	\$127,115	\$191,802	\$166,105
Nonresidential	<u>14,734</u>	<u>24,045</u>	<u>27,510</u>	<u>24,881</u>	<u>17,205</u>
Total County Valuation	\$133,327	\$150,658	\$154,625	\$216,683	\$183,310
<u>County Building Permits:</u>					
Residential	4,305	4,115	3,808	4,504	4,009
Nonresidential	<u>245</u>	<u>275</u>	<u>330</u>	<u>307</u>	<u>274</u>
Total County Permits	4,550	4,390	4,138	4,811	4,283

⁽¹⁾ Through May 2000.
Source: County of Placer

The following table shows information relating to the ten largest taxpayers in the County.

**County of Placer
Ten Largest Taxpayers
Fiscal Year 1998-99**

<u>Taxpayer</u>	<u>1998-99 Tax Levy</u>	<u>% of Total Property Taxes</u>
NEC Electronics Inc. ⁽¹⁾	\$ 7,010,156	2.9%
Pacific Gas and Electric Co.	4,301,823	1.8%
Hewlett-Packard Co. ⁽¹⁾	3,184,893	1.3%
Richland Irvine Inc.	2,251,859	0.9%
Kaiser Foundation Hospitals ⁽¹⁾	2,093,857	0.9%
Stanford Ranch	1,522,808	0.6%
Roseville Telephone Company ⁽¹⁾	1,331,682	0.6%
Pacific Bell	1,172,291	0.5%
Diamond Creek Partners Ltd.	1,073,386	0.4%
Evergreen - Creekside LLC	<u>894,159</u>	<u>0.4%</u>
	\$24,836,914	10.3%

⁽¹⁾ Located primarily or exclusively within the City of Roseville.
Source: County of Placer Treasurer-Tax Collector

The following table shows information relating to the ten largest employers in the County.

**County of Placer
Ten Largest Employers
As of March 2000**

<u>Rank</u>	<u>Company</u>	<u>No. of Employees</u>	<u>Type of Business</u>
1	Hewlett-Packard Co.	5,700	Electronics
2	Placer County	2,547	County Government
3	PRIDE Industries Inc.	1,532	Manufacturing
4	NEC Electronics Inc.	1,500	Electronics
5	Sutter Health	1,439	Healthcare
6	Union Pacific Railroad	1,327	Freight Railroad
7	Kaiser Permanente	1,300	Healthcare
8	Artesyn Solutions Inc.	1,030	Electronics
9	Squaw Valley Ski Corp.	1,000	Ski Resort
10	City of Roseville	925	City Government

Source: Sacramento Business Journal, March 24, 2000

APPENDIX F
BOOK-ENTRY SYSTEM

BOOK-ENTRY SYSTEM

The information concerning DTC set forth herein has been supplied by DTC, and the Authority assumes no responsibility for the accuracy thereof.

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

Purchases of Bonds under the DTC system must be made by or through DTC Direct Participants, which will receive credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (a “Beneficial Owner”) is in turn to be recorded on the Direct and DTC Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or DTC Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of DTC Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by DTC Participants with DTC are registered in the name of DTC’s nominee, Cede & Co. The deposit of Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the DTC Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The DTC Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to DTC Direct Participants, by DTC Direct Participants to DTC Indirect Participants, and by DTC Direct Participants and DTC Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

Neither DTC nor Cede & Co. will consent or vote with respect to Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those DTC Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to DTC. DTC’s practice is to credit DTC Direct Participants’ accounts on the payment date in accordance with their respective holdings shown on DTC’s records unless DTC has reason to believe that it will not receive payment on a payment date. Payments by DTC 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 DTC Participant and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Trustee, disbursement of such payments to DTC Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and DTC Indirect Participants.

The Authority and the Trustee cannot and do not give any assurances that DTC Direct Participants or DTC Indirect Participants will distribute to the Beneficial Owners (i) principal and interest on the Bonds, (ii) certificates representing an ownership interest in or other confirmation of ownership interests in the Bonds, or (iii) redemption or other notices sent to DTC or Cede & Co., its nominee, as registered owner of the Bonds, or that they will do so on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will service and act in the manner described in the Official Statement.

The Authority and the Trustee will be entitled to treat the person in whose name any Bond is registered as the Bond Owner thereof for all purposes of the Indenture and any applicable laws, notwithstanding any notice to the contrary received by the Trustee or the Authority; and the Authority and the Trustee will have no responsibility for transmitting payments to, communication with, notifying, or otherwise dealing with any Beneficial Owners of the Bonds. Neither the Authority nor the Trustee will have any responsibility or obligations, legal or otherwise, to the Beneficial Owners or to any other party including DTC or its successor (or substitute depository or its successor), except for the registered owner of any Bond.

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

THE TRUSTEE, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

APPENDIX G
CERTAIN DEFINITIONS

APPENDIX H

SUMMARY OF CERTAIN PROVISIONS THE PRINCIPAL DOCUMENTS

APPENDIX I

FORM OF BOND COUNSEL OPINION

APPENDIX J

FORMS OF CONTINUING DISCLOSURE UNDERTAKINGS FOR THE SERIES A BONDS

CONTINUING DISCLOSURE AGREEMENT – SOUTH PLACER WASTEWATER AUTHORITY

This Continuing Disclosure Agreement (the “Disclosure Agreement”) is executed and delivered by the South Placer Wastewater Authority (the “Authority”), a joint powers authority duly organized and existing under the laws of the State of California and U.S. Trust Company, National Association, as Dissemination Agent (the “Dissemination Agent”), in connection with the issuance by the Authority of its \$109,775,000 Wastewater Revenue Bonds, Series A (the “Bonds”). The Bonds are being issued pursuant to an indenture of trust, dated as of October 1, 2000 (the “Indenture”), between the Authority and U.S. Trust Company, National Association, as trustee (the “Trustee”) for the purpose of providing funds to finance the “Project” described therein, fund certain accounts held thereunder and pay costs of issuance related thereto. The Bonds are secured by and payable from payments from the County of Placer, the City of Roseville and the South Placer Municipal Utility District (collectively, the “Participants”) pursuant to a Funding Agreement Relating to the South Placer Regional Wastewater Facilities, dated as of October 1, 2000 (the “Funding Agreement”), among the Authority and the Participants. In furtherance of Section 5.19 of the Indenture, the Authority covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Authority and the Dissemination Agent for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule (defined below).

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture or the Funding 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 Authority pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Beneficial Owner” shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

“Dissemination Agent” shall mean U.S. Trust Company, National Association, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Authority pursuant to Section 7 of this Disclosure Agreement.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“National Repository” shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories currently approved by the Securities and Exchange Commission are listed at: “<http://www.sec.gov/consumer/nrmsir.htm>”.

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

“Repository” shall mean each National Repository and the State Repository.

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

“State” shall mean the State of California.

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

SECTION 3. Provision of Annual Reports. (a) The Authority shall, or shall cause the Dissemination Agent to, not later than 210 days following the end of its Fiscal Year (which Fiscal Year as of the date hereof ends June 30), commencing with the report for the Fiscal Year ending June 30, 2001, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the Authority may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if such financial statements are not available by that date. If the Authority’s Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5.

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the Repositories, the Authority shall provide the Annual Report to the Dissemination Agent. If by such date the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Authority to inquire about the status of the Annual Report.

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

(d) The Dissemination Agent shall (i) determine each year, within five (5) Business Days of the date for providing the Annual Report, the name and address of each National Repository and the State Repository, if any; and (ii) file a report with the Authority and (if the Dissemination Agent is not the Trustee) the Trustee certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided, and listing all the Repositories to which they were provided.

The Dissemination Agent and the Trustee shall have no duty or obligation to review such Annual Report.

SECTION 4. Content of Annual Reports. The Authority’s Annual Report shall contain or include by reference the following:

(a) The audited financial statement of the Authority for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles as promulgated from time to time by the Government Accounting Standards Board. If the audited financial statement of the Authority is not available by the time the Annual Report is required to be filed pursuant to Section 3, the Annual Report shall contain an unaudited financial statement in a format similar to the financial statement contained in the final Official Statement relating to the Bonds, dated November 28, 2000 (the “Official Statement”) and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) To the extent not provided in the audited financial statement of the Authority required in subsection (a) above, an update of the following information contained in the Official Statement.

1. The balance in each Participant’s account in the Rate Stabilization Fund as of the end of the immediately preceding Fiscal Year;
2. The amount of Regional Connection Fees collected during the immediately preceding Fiscal Year;
3. The remaining available capacity of the Regional Wastewater System (as defined in the Official Statement) as of the end of the immediately preceding Fiscal Year; and
4. The Proportionate Share for each Participant.

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

SECTION 5. Reporting of Significant Events. (a) The Authority shall give, or cause to be given, to each Repository, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. principal and interest payment delinquencies;
2. non-payment related defaults;
3. modifications to rights of Bondholders;
4. optional, contingent or unscheduled bond calls;
5. defeasances;
6. rating changes;
7. adverse tax opinions or events affecting the tax-exempt status of the Bonds;
8. unscheduled draws on the debt service reserves reflecting financial difficulties;
9. unscheduled draws on the credit enhancements reflecting financial difficulties;
10. substitution of the credit or liquidity providers or their failure to perform;
11. release, substitution, or sale of property generating property securing repayment of the Bonds.

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

(c) If the Authority determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Authority shall, or shall cause the Dissemination Agent to, promptly file a notice of such occurrence with the Municipal Securities Rulemaking Board and the Repositories. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(4) and (5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Indenture.

SECTION 6. Termination of Reporting Obligation. The Authority’s and the Dissemination Agent’s obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If the Authority’s respective obligations under the Indenture and the Funding Agreement are assumed in full by some other entity, such person shall be responsible for compliance with this Disclosure Agreement in the same manner as if it were the Authority and the Authority shall have no further responsibility hereunder. If such termination or substitution occurs prior to the final maturity of the Bonds, the Authority shall give notice of such termination or substitution in the same manner as for a Listed Event under Section 5.

SECTION 7. Dissemination Agent. The Authority may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Authority pursuant to this

Disclosure Agreement. The Dissemination Agent may resign by providing thirty (30) days written notice to the Authority. If at any time there is not any other designated Dissemination Agent, the Authority shall be the Dissemination Agent.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Authority and the Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent shall agree to any amendment so requested by the Authority which does not impose any greater duties, nor greater risk of liability, on the Dissemination Agent) and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3, 4 or 5, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of an obligated person with respect to the Bonds or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

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

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Authority shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Authority. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Authority 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 Authority 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 Authority shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Authority or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Trustee (at the written request of any Participating Underwriter or the Holders of at least twenty-five percent (25%) aggregate principal amount of Outstanding Bonds) shall, but only to the extent indemnified to its satisfaction from any liability or expense, including, without limitation, fees and expenses of its attorneys, or any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order to, cause the Authority or the Dissemination Agent to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be considered an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the Authority to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. Article VI of the Indenture is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Indenture and the Trustee shall be entitled to the protections, limitations from liability and indemnities afforded the Trustee thereunder. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Authority agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the Authority, the Bondholders or any other party. The Dissemination Agent shall not have any liability to the Bondholders or any other party for any monetary damages or financial liability of any kind whatsoever related to or arising from this Disclosure Agreement. The obligations of the Authority under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Notices. Any notices or communications may be given as follows:

To the Authority:

South Placer Wastewater Authority
c/o City of Roseville
2005 Hilltop Circle
Roseville, CA 95747
Attention: Art O'Brien

with a copy to:

Hyde, Miller, Owen & Trost
428 J Street, Suite 400
Sacramento, CA 95814
Attention: Kirk E. Trost

To the Dissemination Agent:

U.S. Trust Company, National Association
One Embarcadero Center, Suite 2050
San Francisco, CA 94111

The Authority or the Dissemination Agent may, by written notice, designate a different address to which subsequent notices or communications should be sent.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Authority, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

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

Dated: December 7, 2000.

SOUTH PLACER WASTEWATER AUTHORITY

By _____
Executive Director

ATTEST:

SOUTH PLACER WASTEWATER AUTHORITY

By _____
Secretary

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

By _____
Authorized Representative

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: South Placer Wastewater Authority
Name of Bond Issue: South Placer Wastewater Authority Wastewater Revenue Bonds, Series A
Name of the Obligated Persons: South Placer Wastewater Authority, County of Placer, City of Roseville and South Placer Municipal Utility District
Date of Issuance: December 7, 2000

NOTICE IS HEREBY GIVEN that the South Placer Wastewater Authority has not provided an Annual Report with respect to the above-named Bond Issue as required by Section 5.19 of the Indenture of Trust, dated as of October 1, 2000, between the Issuer and U.S. Trust Company, National Association, and by Section 13(o) of the Funding Agreement Relating to the South Placer Regional Wastewater Facilities, dated as of October 1, 2000, between each of the Obligated Persons listed above. The South Placer Wastewater Authority anticipates that the Annual Report will be filed by _____.

Dated: _____

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

**CONTINUING DISCLOSURE AGREEMENT –
COUNTY OF PLACER**

This Continuing Disclosure Agreement (the “Disclosure Agreement”) is executed and delivered by the County of Placer (the “County”), a political subdivision duly organized and existing under the laws of the State of California and U.S. Trust Company, National Association, as Dissemination Agent (the “Dissemination Agent”), in connection with the issuance by the South Placer Wastewater Authority (the “Authority”) of its \$109,775,000 Wastewater Revenue Bonds, Series A (the “Bonds”). The Bonds are being issued pursuant to an indenture of trust, dated as of October 1, 2000 (the “Indenture”), between the Authority and U.S. Trust Company, National Association, as trustee (the “Trustee”) for the purpose of providing funds to finance the “Project” described therein, fund certain accounts held thereunder and pay costs of issuance related thereto. The Bonds are secured by and payable from payments from the County, the City of Roseville and the South Placer Municipal Utility District (collectively, the “Participants”) pursuant to a Funding Agreement Relating to the South Placer Regional Wastewater Facilities, dated as of October 1, 2000 (the “Funding Agreement”), among the Authority and the Participants. In furtherance of Section 13(o) of the Funding Agreement, the County covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the County and the Dissemination Agent for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule (defined below).

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture or the Funding 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 County pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Beneficial Owner” shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

“Dissemination Agent” shall mean U.S. Trust Company, National Association, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the County pursuant to Section 6 of this Disclosure Agreement.

“National Repository” shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories currently approved by the Securities and Exchange Commission are listed at: “<http://www.sec.gov/consumer/nrmsir.htm>”.

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

“Repository” shall mean each National Repository and the State Repository.

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

“State” shall mean the State of California.

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

SECTION 3. Provision of Annual Reports. (a) The County shall, or shall cause the Dissemination Agent to, not later than 210 days following the end of its Fiscal Year (which Fiscal Year as of the date hereof ends June 30), commencing with the report for the Fiscal Year ended June 30, 2000, provide to each Repository an Annual Report

which is consistent with the requirements of Section 4 of this Disclosure Agreement. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statement of the County may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if such financial statement are not available by that date. If the County's Fiscal Year changes, it shall give, or cause to be given, to each Repository, written notice of such change.

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the Repositories, the County shall provide the Annual Report to the Dissemination Agent. If by such date the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the County to inquire about the status of the Annual Report.

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

(d) The Dissemination Agent shall (i) determine each year, within five (5) Business Days of the date for providing the Annual Report, the name and address of each National Repository and the State Repository, if any; and (ii) file a report with the County, the Authority and (if the Dissemination Agent is not the Trustee) the Trustee certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided, and listing all the Repositories to which they were provided.

The Dissemination Agent and the Trustee shall have no duty or obligation to review such Annual Report.

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

(a) The audited financial statement of the County for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles as promulgated from time to time by the Government Accounting Standards Board. If the audited financial statement of the County is not available by the time the Annual Report is required to be filed pursuant to Section 3, the Annual Report shall contain an unaudited financial statement in a format similar to the financial statement contained in the final Official Statement relating to the Bonds, dated November 28, 2000 (the "Official Statement") and the audited financial statement shall be filed in the same manner as the Annual Report when they become available.

(b) To the extent not provided in the audited financial statements of the County required in subsection (a) above, an update as of the end of the immediately preceding Fiscal Year of the following information contained in Appendix D-1 to the Official Statement:

1. Tables entitled "County's Wastewater Entities Number of Equivalent Dwelling Units by Class of User," "County's Wastewater Entities Number of Connections by Class of User," "County's Wastewater Entities Revenues by Class of User" and "Five Largest Users";

2. A summary of the historical results of the information contained in the table entitled "Combined Enterprise Funds for County Wastewater Entities Summary of Projected Operating Results" for the immediately preceding Fiscal Year;

3. Service charges, connection charges and the amount of uncollected delinquencies; and

4. Participant Net Revenue and Rate Covenant Debt Service.

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

SECTION 5. Termination of Reporting Obligation. The County's and the Dissemination Agent's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If the County's obligation under the Funding Agreement is assumed in full by some other entity, such person shall be responsible for compliance with this Disclosure Agreement in the same manner as if it were the County and the County shall have no further responsibility hereunder. If such termination or substitution occurs prior to the final maturity of the Bonds, the County shall give, or cause to be given, to each Repository, written notice of such termination or substitution.

SECTION 6. Dissemination Agent. The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the County pursuant to this Disclosure Agreement. The Dissemination Agent may resign by providing thirty (30) days written notice to the County. If at any time there is not any other designated Dissemination Agent, the County shall be the Dissemination Agent.

SECTION 7. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the County and the Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent shall agree to any amendment so requested by the County which does not impose any greater duties, nor greater risk of liability, on the Dissemination Agent) and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

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

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

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

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the County shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the County. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) the County shall give, or cause to be given, to each Repository, written notice of such amendment, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 8. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the County 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, in addition to that which is required by this Disclosure Agreement. If the County chooses to include any information in any Annual Report, in addition to that which is specifically required by this Disclosure Agreement, the County shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report.

SECTION 9. Default. In the event of a failure of the County or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Trustee (at the written request of any Participating Underwriter or the

Holders of at least twenty-five percent (25%) aggregate principal amount of Outstanding Bonds) shall, but only to the extent indemnified to its satisfaction from any liability or expense, including, without limitation, fees and expenses of its attorneys, or any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order to, cause the County or the Dissemination Agent to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be considered an Event of Default under the Funding Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the County to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 10. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. Article VI of the Indenture is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Indenture and the Trustee shall be entitled to the protections, limitations from liability and indemnities afforded the Trustee thereunder. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the County agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the County, the Bondholders or any other party. The Dissemination Agent shall not have any liability to the Bondholders or any other party for any monetary damages or financial liability of any kind whatsoever related to or arising from this Disclosure Agreement. The obligations of the County under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 11. Notices. Any notices or communications may be given as follows:

To the County:

County of Placer
Department of Facilities Services
Special Districts Divisions
11476 "C" Avenue
Auburn, CA 95603
Attention: Tom Miller

with a copy to:

Placer County Counsel
175 Fulweiler Avenue
Auburn, CA 95603
Attention: Scott Finley

To the Dissemination Agent:

U.S. Trust Company, National Association
One Embarcadero Center, Suite 2050
San Francisco, CA 94111

The County or the Dissemination Agent may, by written notice, designate a different address to which subsequent notices or communications should be sent.

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

SECTION 13. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Dated: December 7, 2000.

COUNTY OF PLACER

By: _____
Chair

ATTEST:

By: _____
Clerk of the Board

APPROVED AS TO FORM:

By: _____
County Counsel

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

By: _____
Authorized Representative

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: South Placer Wastewater Authority
Name of Bond Issue: South Placer Wastewater Authority Wastewater Revenue Bonds, Series A
Name of the Obligated Persons: South Placer Wastewater Authority, County of Placer, City of Roseville and South Placer Municipal Utility District
Date of Issuance: December 7, 2000

NOTICE IS HEREBY GIVEN that the County of Placer has not provided an Annual Report with respect to the above-named Bond Issue as required by Section 13(o) of the Funding Agreement Relating to the South Placer Regional Wastewater Facilities, dated as of October 1, 2000, between each of the Obligated Persons listed above. The County of Placer anticipates that the Annual Report will be filed by _____.

Dated: _____

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

cc: South Placer Wastewater Authority

**CONTINUING DISCLOSURE AGREEMENT –
CITY OF ROSEVILLE**

This Continuing Disclosure Agreement (the “Disclosure Agreement”) is executed and delivered by the City of Roseville (the “City”), a charter city duly organized and existing under the laws of the State of California and U.S. Trust Company, National Association, as Dissemination Agent (the “Dissemination Agent”) in connection with the issuance by the South Placer Wastewater Authority (the “Authority”) of its \$109,775,000 Wastewater Revenue Bonds, Series A (the “Bonds”). The Bonds are being issued pursuant to an indenture of trust, dated as of October 1, 2000 (the “Indenture”), between the Authority and U.S. Trust Company, National Association, as trustee (the “Trustee”) for the purpose of providing funds to finance the “Project” described therein, fund certain accounts held thereunder and pay costs of issuance related thereto. The Bonds are secured by and payable from payments from the County of Placer, the City and the South Placer Municipal Utility District (collectively, the “Participants”) pursuant to a Funding Agreement Relating to the South Placer Regional Wastewater Facilities, dated as of October 1, 2000 (the “Funding Agreement”), among the Authority and the Participants. In furtherance of Section 13(o) of the Funding Agreement, the City covenants and agrees 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 Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule (defined below).

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture or the Funding 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 has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

“Dissemination Agent” shall mean U.S. Trust Company, National Association, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the City pursuant to Section 6 of this Disclosure Agreement.

“National Repository” shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories currently approved by the Securities and Exchange Commission are listed at: “<http://www.sec.gov/consumer/nrmsir.htm>”.

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

“Repository” shall mean each National Repository and the State Repository.

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

“State” shall mean the State of California.

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

SECTION 3. Provision of Annual Reports. (a) The City shall, or shall cause the Dissemination Agent to, not later than 210 days following the end of its Fiscal Year (which Fiscal Year as of the date hereof ends June 30), commencing with the report for the Fiscal Year ended June 30, 2000, provide to each Repository an Annual Report

which is consistent with the requirements of Section 4 of this Disclosure Agreement. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statement of the City may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if such financial statement are not available by that date. If the City's Fiscal Year changes, it shall give, or cause to be given, to each Repository, written notice of such change.

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the Repositories, the City shall provide the Annual Report to the Dissemination Agent. If by such date the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to inquire about the status of the Annual Report.

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

(d) The Dissemination Agent shall (i) determine each year, within five (5) Business Days of the date for providing the Annual Report, the name and address of each National Repository and the State Repository, if any; and (ii) file a report with the City, the Authority and (if the Dissemination Agent is not the Trustee) the Trustee certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided, and listing all the Repositories to which they were provided.

The Dissemination Agent and the Trustee shall have no duty or obligation to review such Annual Report.

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

(a) The audited financial statement of the City for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles as promulgated from time to time by the Government Accounting Standards Board. If the audited financial statement of the City is not available by the time the Annual Report is required to be filed pursuant to Section 3, the Annual Report shall contain an unaudited financial statement in a format similar to the financial statement contained in the final Official Statement relating to the Bonds dated November 28, 2000 (the "Official Statement"), and the audited financial statement shall be filed in the same manner as the Annual Report when they become available.

(b) To the extent not provided in the audited financial statement of the City required in subsection (a) above, an update as of the end of the immediately preceding Fiscal Year of the following information contained in Appendix B-1 to the Official Statement.

1. Tables entitled "Roseville Wastewater Utility Number of Dwelling Unit Equivalents and Connections by Class of User," "Roseville Wastewater Utility Revenues by Class of User" and "Roseville Wastewater Utility Five Largest Users";

2. A summary of the historical results of the information contained in the table entitled "City of Roseville Wastewater Utility Fund Summary of Projected Operating Results" for the immediately preceding Fiscal Year;

3. Service charges, connection charges and the amount of uncollected delinquencies; and

4. Participant Net Revenue and Rate Covenant Debt Service.

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

SECTION 5. Termination of Reporting Obligation. The City's and the Dissemination Agent's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If the City's obligation under the Funding Agreement is assumed in full by some other entity, such person shall be responsible for compliance with this Disclosure Agreement in the same manner as if it were the City and the City shall have no further responsibility hereunder. If such termination or substitution occurs prior to the final maturity of the Bonds, the City shall give, or cause to the Dissemination Agent to give, to each Repository, written notice of such termination or substitution.

SECTION 6. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to this Disclosure Agreement. The Dissemination Agent may resign by providing thirty (30) days written notice to the City. If at any time there is not any other designated Dissemination Agent, the City shall be the Dissemination Agent.

SECTION 7. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the City and the Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent shall agree to any amendment so requested by the City which does not impose any greater duties, nor greater risk of liability, on the Dissemination Agent) and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

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

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

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

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) the City shall give, or cause to be given, to each Repository, written notice of such amendment, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

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

SECTION 9. Default. In the event of a failure of the City or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Trustee (at the written request of any Participating Underwriter or the

Holders of at least twenty-five percent (25%) aggregate principal amount of Outstanding Bonds) shall, but only to the extent indemnified to its satisfaction from any liability or expense, including, without limitation, fees and expenses of its attorneys, or any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order to, cause the City or the Dissemination Agent to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be considered an Event of Default under the Funding 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 10. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. Article VI of the Indenture is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Indenture and the Trustee shall be entitled to the protections, limitations from liability and indemnities 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, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the City, the Bondholders or any other party. The Dissemination Agent shall not have any liability to the Bondholders or any other party for any monetary damages or financial liability of any kind whatsoever related to or arising from this Disclosure Agreement. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 11. Notices. Any notices or communications may be given as follows:

To the City:

City of Roseville
Environmental Utilities Department
2005 Hilltop Circle
Roseville, CA 95747
Attention: Derrick Whitehead, Environmental Utilities Director

with a copy to:

Roseville City Attorney
311 Vernon Street, Suite 202
Roseville, CA 95678

To the Dissemination Agent:
U.S. Trust Company, National Association
One Embarcadero Center, Suite 2050
San Francisco, CA 94111

The City or the Dissemination Agent may, by written notice, designate a different address to which subsequent notices or communications should be sent.

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

SECTION 13. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Dated: December 7, 2000.

CITY OF ROSEVILLE

By: _____
City Manager

ATTEST:

By: _____
City Clerk

APPROVED AS TO FORM:

By: _____
City Attorney

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

By: _____
Authorized Representative

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: South Placer Wastewater Authority
Name of Bond Issue: South Placer Wastewater Authority Wastewater Revenue Bonds, Series A
Name of the Obligated Persons: South Placer Wastewater Authority, County of Placer, City of Roseville and South Placer Municipal Utility District
Date of Issuance: December 7, 2000

NOTICE IS HEREBY GIVEN that the City of Roseville has not provided an Annual Report with respect to the above-named Bond Issue as required by Section 13(o) of the Funding Agreement Relating to the South Placer Regional Wastewater Facilities, dated as of October 1, 2000, between each of the Obligated Persons listed above. The City of Roseville anticipates that the Annual Report will be filed by _____.

Dated: _____

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

cc: South Placer Wastewater Authority

**CONTINUING DISCLOSURE AGREEMENT –
SOUTH PLACER MUNICIPAL UTILITY DISTRICT**

This Continuing Disclosure Agreement (the “Disclosure Agreement”) is executed and delivered by the South Placer Municipal Utility District (the “District”), a municipal utility district duly organized and existing under the laws of the State of California and U.S. Trust Company, National Association, as Dissemination Agent (the “Dissemination Agent”), in connection with the issuance by the South Placer Wastewater Authority (the “Authority”) of its \$109,775,000 Wastewater Revenue Bonds, Series A (the “Bonds”). The Bonds are being issued pursuant to an indenture of trust, dated as of October 1, 2000 (the “Indenture”), between the Authority and U.S. Trust Company, National Association, as trustee (the “Trustee”) for the purpose of providing funds to finance the “Project” described therein, fund certain accounts held thereunder and pay costs of issuance related thereto. The Bonds are secured by and payable from payments from the County of Placer, the City of Roseville and the District (collectively, the “Participants”) pursuant to a Funding Agreement Relating to the South Placer Regional Wastewater Facilities, dated as of October 1, 2000 (the “Funding Agreement”), among the Authority and the Participants. In furtherance of Section 13(o) of the Funding Agreement, the District covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the District and the Dissemination Agent for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule (defined below).

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture or the Funding 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 District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Beneficial Owner” shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

“Dissemination Agent” shall mean, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the District pursuant to Section 6 of this Disclosure Agreement.

“National Repository” shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories currently approved by the Securities and Exchange Commission are listed at: “<http://www.sec.gov/consumer/nrmsir.htm>”.

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

“Repository” shall mean each National Repository and the State Repository.

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

“State” shall mean the State of California.

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

SECTION 3. Provision of Annual Reports. (a) The District shall, or shall cause the Dissemination Agent to, not later than 210 days following the end of its Fiscal Year (which Fiscal Year as of the date hereof ends June 30), commencing with the report for the Fiscal Year ending June 30, 2001, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. In each case, the Annual Report may be

submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statement of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if such financial statement are not available by that date. If the District's Fiscal Year changes, it shall give, or cause to be given, to each Repository, written notice of such change.

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the Repositories, the District shall provide the Annual Report to the Dissemination Agent. If by such date the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to inquire about the status of the Annual Report.

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

(d) The Dissemination Agent shall (i) determine each year, within five (5) Business Days of the date for providing the Annual Report, the name and address of each National Repository and the State Repository, if any; and (ii) file a report with the District, the Authority and (if the Dissemination Agent is not the Trustee) the Trustee certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided, and listing all the Repositories to which they were provided.

The Dissemination Agent and the Trustee shall have no duty or obligation to review such Annual Report.

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

(a) The audited financial statement of the District for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles as promulgated from time to time by the Government Accounting Standards Board. If the audited financial statement of the District is not available by the time the Annual Report is required to be filed pursuant to Section 3, the Annual Report shall contain an unaudited financial statement in a format similar to the financial statement contained in the final Official Statement relating to the Bonds dated November 28, 2000 (the "Official Statement"), and the audited financial statement shall be filed in the same manner as the Annual Report when they become available.

(b) To the extent not provided in the audited financial statement of the District required in subsection (a) above, an update as of the end of the immediately preceding Fiscal Year of the following information contained in Appendix C-1 to the Official Statement.

1. Tables entitled "South Placer Municipal Utility District Number of Equivalent Dwelling Units and Connections by Class of User," "South Placer Municipal Utility District Revenues by Class of User" and "South Placer Municipal Utility District Five Largest Users";

2. A summary of the historical results of the information contained in the table entitled "South Placer Municipal Utility District Summary of Projected Operating Results" for the immediately preceding Fiscal Year;

3. Service charges, connection charges and the amount of uncollected delinquencies; and

4. Participant Net Revenues and Rate Covenant Debt Service.

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

SECTION 5. Termination of Reporting Obligation. The District's and the Dissemination Agent's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If the District's obligation under the Funding Agreement is assumed in full by some other entity, such person shall be responsible for compliance with this Disclosure Agreement in the same manner as if it were the District and the District shall have no further responsibility hereunder. If such termination or substitution occurs prior to the final maturity of the Bonds, the District shall give, or cause to be given, to each Repository, written notice of such termination or substitution.

SECTION 6. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Agreement. The Dissemination Agent may resign by providing thirty (30) days written notice to the District. If at any time there is not any other designated Dissemination Agent, the District shall be the Dissemination Agent.

SECTION 7. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the District and the Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent shall agree to any amendment so requested by the District which does not impose any greater duties, nor greater risk of liability, on the Dissemination Agent) and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

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

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

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

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) the District shall give, or cause to be given, to each Repository, written notice of such amendment, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 8. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the District 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, in addition to that which is required by this Disclosure Agreement. If the District chooses to include any information in any Annual Report, in addition to that which is specifically required by this Disclosure Agreement, the District shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report.

SECTION 9. Default. In the event of a failure of the District or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Trustee (at the written request of any Participating Underwriter or the Holders of at least twenty-five percent (25%) aggregate principal amount of Outstanding Bonds) shall, but only to the extent

indemnified to its satisfaction from any liability or expense, including, without limitation, fees and expenses of its attorneys, or any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order to, cause the District or the Dissemination Agent to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be considered an Event of Default under the Funding Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the District to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 10. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. Article VI of the Indenture is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Indenture and the Trustee shall be entitled to the protections, limitations from liability and indemnities afforded the Trustee thereunder. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the District, the Bondholders or any other party. The Dissemination Agent shall not have any liability to the Bondholders or any other party for any monetary damages or financial liability of any kind whatsoever related to or arising from this Disclosure Agreement. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 11. Notices. Any notices or communications may be given as follows:

To the District:

South Placer Municipal Utility District
P.O. Box 45
3671 Taylor Road
Loomis, CA 95650
Attention: Jerry Loscalzo, General Manager

with a copy to:

O'Brien & Brown
2339 Gold Meadow Way, Suite 230
Gold River, CA 95670
Attention: Adam Brown, District's General Counsel

To the Dissemination Agent:

U.S. Trust Company, National Association
One Embarcadero Center, Suite 2050
San Francisco, CA 94111

The District or the Dissemination Agent may, by written notice, designate a different address to which subsequent notices or communications should be sent.

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

SECTION 13. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Dated: December 7, 2000.

SOUTH PLACER MUNICIPAL UTILITY DISTRICT

By: _____
General Manager

ATTEST:

By: _____
Secretary

APPROVED AS TO FORM:

By: _____
General Counsel

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

By: _____
Authorized Representative

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: South Placer Wastewater Authority
Name of Bond Issue: South Placer Wastewater Authority Wastewater Revenue Bonds, Series A
Name of the Obligated Persons: South Placer Wastewater Authority, County of Placer, City of Roseville and South Placer Municipal Utility District
Date of Issuance: December 7, 2000

NOTICE IS HEREBY GIVEN that the South Placer Municipal Utility District has not provided an Annual Report with respect to the above-named Bond Issue as required by Section 13(o) of the Funding Agreement Relating to the South Placer Regional Wastewater Facilities, dated as of October 1, 2000, between each of the Obligated Persons listed above. The South Placer Municipal Utility District anticipates that the Annual Report will be filed by _____.

Dated: _____

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

cc: South Placer Wastewater Authority

APPENDIX K

SPECIMEN MUNICIPAL BOND INSURANCE POLICY