

*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 Series 2006A 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, interest on the Bonds is exempt from California personal income taxes. Interest on the Series 2006A-T Bonds and the Taxable Housing Bonds is included in gross income for federal income tax purposes. See "TAX MATTERS" herein.*

**REDEVELOPMENT AGENCY OF THE CITY OF ROSEVILLE  
Roseville Redevelopment Project**

**\$13,155,000**  
**Tax Allocation Bonds,**  
**Series 2006A**

**\$3,285,000**  
**Taxable Tax Allocation Bonds,**  
**Series 2006A-T**

**\$6,505,000**  
**Taxable Tax Allocation**  
**Housing Bonds,**  
**Series 2006H-T**

**Dated: Date of Delivery**

**Due: September 1, as shown on the inside cover hereof**

The three captioned series of bonds (the "Series 2006A Bonds" the "Series 2006A-T Bonds" and the "Taxable Housing Bonds"; collectively, the "Bonds") are being issued by the Redevelopment Agency of the City of Roseville (the "Agency") pursuant to the California Community Redevelopment Law, constituting Part 1, Division 24 (commencing with Section 33000) of the California Health and Safety Code (the "Redevelopment Law"). The Bonds area being issued to fund redevelopment and housing activities of benefit to the Agency's Roseville Redevelopment Project (the "Project Area").

The Bonds will be delivered as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to ultimate purchasers ("Beneficial Owners") in the denomination of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. Beneficial Owners will not be entitled to receive delivery of certificates representing their ownership interest in the Bonds. Interest on the Bonds is payable on March 1 and September 1 of each year, commencing March 1, 2007 by The Bank of New York Trust Company, N.A., San Francisco, California, as trustee (the "Trustee"), to DTC for subsequent disbursement to DTC participants, so long as DTC or its nominee remains the registered owner of the Bonds.

*The Bonds are subject to optional and mandatory redemption prior to their maturity under certain conditions described herein. See "THE BONDS – Redemption" herein.*

The Bonds are special obligations of the Agency and are payable from Tax Revenues (in the case of the Series 2006A Bonds and the Series 2006A-T Bonds) or Housing Tax Revenues (in the case of the Taxable Housing Bonds) consisting primarily of tax increment derived from property in the Project Area and allocated to the Agency pursuant to the Redevelopment Law. No funds or properties of the Agency, other than the Tax Revenues or Housing Tax Revenues, as applicable, are pledged to secure the Bonds. See "SECURITY FOR THE BONDS." The receipt of Tax Revenues and Housing Tax Revenues is subject to certain risks and limitations. See "RISK FACTORS" and "LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS" herein.

**The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a financial guaranty insurance policy to be issued concurrently with the delivery of the Bonds by Ambac Assurance Corporation.**



**THE BONDS ARE NOT A DEBT, LIABILITY OR OBLIGATION OF THE CITY OF ROSEVILLE, THE STATE OF CALIFORNIA, OR ANY OF ITS POLITICAL SUBDIVISIONS OTHER THAN THE AGENCY, AND NEITHER THE CITY, THE STATE NOR ANY OF ITS POLITICAL SUBDIVISIONS, OTHER THAN THE AGENCY, IS LIABLE THEREFOR. THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE BONDS ARE PAYABLE SOLELY FROM TAX REVENUES OR HOUSING TAX REVENUES, AS APPLICABLE, ALLOCATED TO THE AGENCY FROM THE PROJECT AREA AND AMOUNTS IN CERTAIN FUNDS AND ACCOUNTS HELD UNDER THE INDENTURES. NEITHER THE AGENCY, THE CITY NOR ANY PERSONS EXECUTING THE BONDS ARE LIABLE PERSONALLY ON THE BONDS BY REASON OF THEIR ISSUANCE.**

This cover page contains certain information for general reference only. It is not intended to be a summary of all factors relating to an investment in the Bonds. Investors should review the entire Official Statement before making any investment decision.

**MATURITY SCHEDULES**  
**(See inside cover)**

*The Bonds are offered when, as and if delivered and received by the Underwriter, subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Jones Hall is also serving as Disclosure Counsel. Certain legal matters will be passed upon for the Agency by the City Attorney of the City of Roseville and for the Underwriter by its Counsel, Sidley Austin LLP, Los Angeles, California. It is anticipated that the Bonds will be available for delivery to DTC on or about November 14, 2006.*

**STONE & YOUNGBERG LLC**

## MATURITY SCHEDULES

### **\$13,155,000** **Tax Allocation Bonds,** **Series 2006A**

\$9,730,000 5.000% Series 2006A Term Bonds due September 1, 2038 Price: 104.161%<sup>c</sup> CUSIP†: 777864 BM 0  
\$3,425,000 4.500% Series 2006A Term Bonds due September 1, 2040 Price: 96.623% CUSIP†: 777864 BN 8  
c – Priced to call at par on September 1, 2016

### **\$3,285,000** **Taxable Tax Allocation Bonds,** **Series 2006A-T**

\$820,000 5.310% Series 2006A-T Term Bonds due September 1, 2013 Price: 100% CUSIP†: 777864 BV 0  
\$2,465,000 5.900% Series 2006A-T Term Bonds due September 1, 2028 Price: 100% CUSIP†: 777864 BW 8

### **\$6,505,000** **Taxable Tax Allocation Housing Bonds,** **Series H-T**

\$610,000 5.310% Taxable Housing Term Bonds due September 1, 2013 Price: 100% CUSIP†: 777864 CE 7  
\$2,150,000 5.900% Taxable Housing Term Bonds due September 1, 2028 Price: 100% CUSIP†: 777864 CF 4  
\$3,745,000 6.070% Taxable Housing Term Bonds due September 1, 2040 Price: 100% CUSIP†: 777864 CG 2

## GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

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

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

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

**Involvement of Underwriter.** The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the Federal Securities Laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

**Subject to Change; Qualified by Complete Agreements.** The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Agency any other entity described or referenced herein since the date hereof. All summaries of the documents referred to in this Official Statement are made subject to the provisions of such documents and do not purport to be complete statements of any or all of such provisions. Such documents are subject to change.

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

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

## **REDEVELOPMENT AGENCY OF THE CITY OF ROSEVILLE**

### **AGENCY BOARD**

Gina Garbolino, Chair  
F.C. "Rocky" Rockholm, Mayor Pro Tempore  
John Allard, Councilmember  
Jim Gray, Councilmember  
Richard Roccucci, Councilmember

### **AGENCY/CITY STAFF**

W. Craig Robinson, City Manager, Executive Director of the Agency  
Russell Cochran Branson, City Finance Director, Treasurer of the Agency  
John Sprague, City Economic and Community Services Director,  
Assistant Director of the Agency  
Brita McNay, City Attorney, Agency Counsel  
Sonia Orozco, City Clerk

### **BOND RELATED SERVICES**

#### **Trustee**

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

#### **Bond Counsel**

Jones Hall, A Professional Law Corporation  
San Francisco, California

#### **Financial Advisor**

Public Financial Management, Inc.  
San Francisco, California

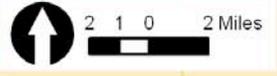
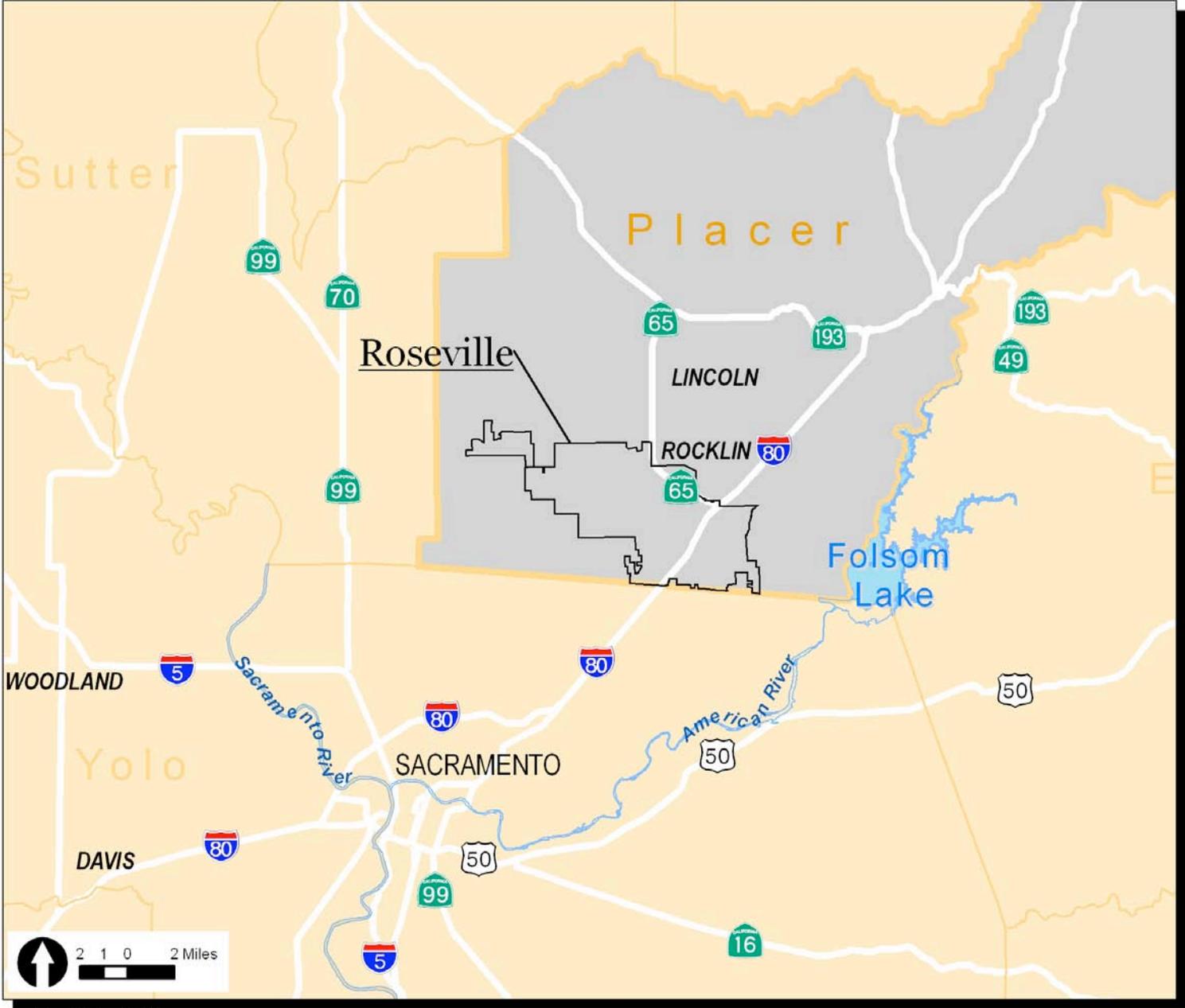
#### **Fiscal Consultant**

Fraser and Associates  
Roseville, California

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Source: OpenStreetMap, Esri, DeLorme, Garmin, and Regional Mapping

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## OFFICIAL STATEMENT

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### REDEVELOPMENT AGENCY OF THE CITY OF ROSEVILLE Roseville Redevelopment Project

**\$13,155,000**  
Tax Allocation Bonds,  
Series 2006A

**\$3,285,000**  
Taxable Tax Allocation Bonds,  
Series 2006A-T

**\$6,505,000**  
Taxable Tax Allocation Housing  
Bonds,  
Series 2006H-T

### INTRODUCTION

*This Official Statement, including the cover page and appendices hereto, is provided to furnish information in connection with the sale by the Redevelopment Agency of the City of Roseville (the “Agency”) of its three series of captioned bonds. This Introduction contains a brief summary of certain information contained in this Official Statement. It is not intended to be complete and is qualified by the more detailed information contained elsewhere in this Official Statement. Definitions of certain terms used in this Official Statement are set forth in “APPENDIXC – Summary of Certain Provisions of the Indentures”.*

**Authority for Issuance.** The Agency is a redevelopment agency existing under the Community Redevelopment Law of the State of California (the “State”), constituting Part 1 of Division 24 (commencing with Section 33000) of the California Health and Safety Code, as amended (the “Redevelopment Law”). The three series of bonds being issued consist of:

- **\$13,155,000** Tax Allocation Bonds, Series 2006A (the “**Series 2006A Bonds**”);
- **\$3,285,000** Tax Allocation Bonds, Series 2006A-T (the “**Series 2006A-T Bonds**”); and
- **\$6,505,000** Taxable Tax Allocation Housing Bonds, Series 2006H-T (the “**Taxable Housing Bonds**”).

The Series 2006A Bonds and the Series 2006A-T Bonds are sometimes referred to herein as the “**Non-Housing Bonds**”). The Non-Housing Bonds are being issued under the Redevelopment Law and pursuant to a First Supplemental Indenture of Trust (the “**Supplement**”), dated as of November 1, 2006, by and between the Agency and The Bank of New York Trust Company, N.A, San Francisco, California, as trustee (the “**Trustee**”), which supplements the Indenture of Trust dated as of November 1, 2002 (the “**Original Indenture**”) relating to the issuance of the Agency’s \$14,500,000 Roseville Redevelopment Project Tax Allocation Bonds, Series 2002 (the “**2002 Bonds**”). The Original Indenture was amended by a First Amendment to Indenture of Trust dated as of November 1, 2006, by and between the Agency and the Trustee (the “**First Amendment**”). The Original Indenture, as supplemented by the Supplement and amended by the First Amendment, is referred to herein as the “**Non-Housing Indenture**”).

The Taxable Housing Bonds are being issued under the Redevelopment Law and pursuant to an Indenture of Trust (the "**Housing Indenture**"), dated as of November 1, 2006, by and between the Agency and the Trustee.

The Bonds will initially be purchased by the Roseville Finance Authority (the "**Authority**") pursuant to the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of Chapter 5 of Division 7 of Title 1 (commencing with Section 6584) of the California Government Code (the "**JPA Law**"). The Bonds purchased by the Authority will be resold concurrently to Stone & Youngberg LLC, as underwriter (the "**Underwriter**").

**Use of Proceeds.** The proceeds of the Non-Housing Bonds will be used to (i) fund certain redevelopment activities of benefit to property within the Agency's Roseville Redevelopment Project Area (the "**Project Area**"); (ii) to pay a portion of the premium of a reserve fund surety bond for the Bonds; and (iii) pay the costs of issuing the Non-Housing Bonds. See "THE BONDS – Redemption" herein.

The proceeds of the Taxable Housing Bonds will be used to (i) pay the costs of certain low and moderate income housing projects of the Agency with respect to the Project Area; (ii) to pay a portion of the premium of a reserve fund surety bond for the Bonds; and (iii) pay the costs of issuing the Taxable Housing Bonds.

**Security for the Bonds.** The Non-Housing Bonds will be payable from and secured by Tax Revenues (as defined herein) allocated to Agency from the Project Area. The Taxable Housing Bonds will be payable from and secured by Housing Tax Revenues, also defined herein.

In California, the financing and refinancing of redevelopment projects may be provided by the issuance of tax allocation bonds. Such bonds are payable from property taxes collected within a redevelopment project area attributable to the increase in assessed valuation of property therein, as explained in greater detail herein. The Non-Housing Bonds are payable from and secured by certain tax increment revenues of the Agency constituting Tax Revenues generated from property in the Project Area. Tax Revenues is defined in the Non-Housing Indenture and generally includes certain *ad valorem* property taxes attributable to increases in the assessed valuation of certain property (except public property and property exempt from taxation) in the Project Area over that shown on the assessment rolls for the adjusted base year assessment roll, including that portion of such taxes otherwise required by Section 33334.3 of the Law to be deposited in the Low and Moderate Income Housing Fund, but only to the extent necessary to repay that portion of the Bonds and that portion of any Parity Debt issued to finance or refinance amounts deposited in the Low and Moderate Income Housing Fund, all as described herein under the caption "SECURITY FOR THE BONDS." Such taxes are eligible for allocation to the Agency pursuant to the Redevelopment Law in connection with the Project Area.

Housing Tax Revenues generally consist of that portion of tax increment revenues derived from the Project Area required by Section 33334.3 of the Redevelopment Law to be deposited in the Agency's Low and Moderate Income Housing Fund. Tax Revenues and Housing Tax Revenues are more fully described under the section "SECURITY FOR THE BONDS".

**Risk Factors.** Risk of investment in the Bonds include the possibility of future decreases in the taxable valuation in the Project Area or in the applicable tax rates, which could reduce the Tax Revenues and Housing Tax Revenues allocated to the Agency and

correspondingly could have an adverse impact on the ability of the Agency to pay debt service on the Bonds. See "RISK FACTORS" herein.

**Financial Guaranty Insurance.** Concurrently with issuance of the Bonds, Ambac Assurance Corporation (the "Insurer" or "Ambac Assurance") will issue its Financial Guaranty Insurance Policy (the "Financial Guaranty Insurance Policy") for the Bonds. The Financial Guaranty 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 which is unpaid. See "SECURITY FOR THE BONDS – Payments Pursuant to Financial Guaranty Insurance Policy" and "APPENDIX H – Specimen Financial Guaranty Insurance Policy."

**The Project Area.** The Project Area encompasses approximately 1,619 acres situated in the central portion of the City. On October 18, 1989, the City Council of the City (the "City Council") adopted the Redevelopment Plan for the Roseville Redevelopment Project (as amended, the "Redevelopment Plan") by Ordinance No. 2274, and the Redevelopment Plan was amended by Ordinance No. 2814 adopted on September 21, 1994. The Project Area includes the City's downtown core area as well as the Roseville Auto Mall and significant new development in the northeastern area of the City, and has retail commercial and office uses, along with pockets of residential uses. The assessed value of the Project Area for fiscal year 2006-07 is approximately \$689.8 million and the base year valuation is \$139.4 million.

**The City.** The City of Roseville (the "City") is located off Interstate 80 in Placer County, in California's Sacramento Valley, near the foothills of the Sierra Nevada mountain range, about 16 miles northeast of Sacramento and 110 miles east of San Francisco. The City is the largest city in Placer County as well as the residential and employment center of the County. The City Council consists of five members who serve overlapping terms of four years, and the Council, in turn, elects one of the Council Members to serve as mayor for two years. The Council selects a City manager to administer the affairs of the City. The City provides the following services: public safety (police and civil defense), highways and streets, electricity, sanitation, culture/recreation, public improvements, planning and zoning and general administrative services. The estimated population in the City as of January 2006 was approximately 104,655. For certain information regarding the City, see "APPENDIX D - City of Roseville General Information." *The Bonds are not an obligation of the City.*

**The Agency.** The Agency was created by the City Council on July 28, 1988 under the provisions of the Redevelopment Law, at which time the City Council declared itself to be the governing board of the Agency and on October 18, 1989 adopted the Redevelopment Plan. The Project Area is the larger of two redevelopment project areas of the Agency.

**Miscellaneous.** There follows in this Official Statement, which includes the cover page and Appendices hereto, a brief description of the Bonds, the Agency, the Tax Revenues and the Housing Tax Revenues, the Project Area, security for the Bonds, risk factors, limitations on the Tax Revenues and Housing Tax Revenues, and certain other information relevant to the issuance of the Bonds. All references herein to the Non-Housing Indenture and the Housing Indenture (collectively referred to as the "Indentures") are qualified in their entirety by reference to the definitive form thereof, all references to the Bonds are further qualified by references to the information with respect thereto contained in the respective Indenture. A summary of certain provisions of the Indentures is included in APPENDIX C. A recent financial statement of the Agency is included in APPENDIX A. The information set forth herein and in the Appendices hereto has been furnished by the Agency and includes information which has been obtained from other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriter. All capitalized

terms used herein and not normally capitalized have the meanings assigned thereto in the Indentures, unless otherwise stated herein.

The information and expressions of opinion herein speak only as of the date of this Official Statement and are subject to change without notice. Neither delivery of this Official Statement nor any sale made hereunder nor any future use of this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the Agency since the date hereof.

*All financial and other information presented in this Official Statement has been provided by the Agency or the City from their records, except for information expressly attributed to other sources. The presentation of information, including table of receipts from tax increment revenues, is intended to show recent historic information and is not intended to indicate future or continuing trends in the financial or other affairs of the Agency or the City. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future.*

## THE BONDS

### Description

The Bonds will be dated their date of issuance and delivery, will bear interest at the rates per annum set forth on the inside cover page hereof payable semiannually on March 1 and September 1 of each year (each, an “**Interest Payment Date**”), commencing March 1, 2007, and will mature on the dates and in the amounts set forth on the inside cover page hereof. The Bonds will be issued in denominations of \$5,000 or any integral multiple thereof, so long as no Bond shall have more than one maturity date. The Bonds will be issued only as one fully registered Bond for each maturity of each series, in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), as registered owner of all Bonds. See “APPENDIX G - Book-Entry Only System” below. Ownership may be changed only upon the registration books maintained by The Bank of New York Trust Company, N.A. (the “**Trustee**”) as provided in the Indentures. See “Transfer and Exchange of Bonds” below.

Each Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (a) it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it shall bear interest from such Interest Payment Date; or (b) it is authenticated on or before February 15, 2007, in which event it shall bear interest from the date of issuance; provided, however, that if, as of the date of authentication of any Bond, interest thereon is in default, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon. The Bonds shall mature and shall bear interest calculated on the basis of a 360-day year of twelve 30-day months.

Interest on the Bonds (including the final interest payment upon maturity or redemption) is payable when due by check or draft of the Trustee mailed to the Owner thereof at such Owner's address as it appears on the Registration Books at the close of business on the preceding Record Date; provided that at the written request of the Owner of at least \$1,000,000 aggregate principal amount of Bonds, which written request is on file with the Trustee as of any Record Date, interest on such Bonds shall be paid on the succeeding Interest Payment Date to such account in the United States as shall be specified in such written request.

**While the Bonds are held in the book-entry only system of DTC, all such payments will be made to Cede & Co., as the registered Owner of the Bonds.** The principal of the Bonds and any premium upon redemption, are payable in lawful money of the United States of America upon presentation and surrender thereof at the principal corporate trust office of the Trustee. See “APPENDIX G – Book Entry Only System”.

## **Redemption**

***Optional Redemption- Series 2006A Bonds.*** The Series 2006A Bonds maturing on or before September 1, 2016, are not subject to optional redemption prior to maturity. The Series 2006A Bonds maturing on and after September 1, 2017, are subject to redemption, at the option of the Agency on any date on or after September 1, 2016, as a whole or in part, by such maturities as shall be determined by the Agency, and by lot within a maturity, from any available source of funds, at a redemption price equal to the principal amount of the Series 2006A Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

***Optional Redemption- Series 2006A-T Bonds.*** The Series 2006A-T Bonds maturing on or before September 1, 2016, are not subject to optional redemption prior to maturity. The Series 2006A-T Bonds maturing on and after September 1, 2017, are subject to redemption, at the option of the Agency on any date on or after September 1, 2016, as a whole or in part, by such maturities as shall be determined by the Agency, and by lot within a maturity, from any available source of funds, at a redemption price equal to the principal amount of the Series 2006A-T Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

***Optional Redemption- Taxable Housing Bonds.*** The Taxable Housing Bonds maturing on or before September 1, 2016, are not subject to optional redemption prior to maturity. The Taxable Housing Bonds maturing on and after September 1, 2017, are subject to redemption, at the option of the Agency on any date on or after September 1, 2016, as a whole or in part, by such maturities as shall be determined by the Agency, and by lot within a maturity, from any available source of funds, at a redemption price equal to the principal amount of the Taxable Housing Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

***Mandatory Sinking Fund Redemption- Series 2006A Bonds.*** The Series 2006A Bonds maturing on September 1, 2038 and September 1, 2040 (the “**Series 2006A Term Bonds**”) shall also be subject to mandatory redemption in part by lot, commencing on September 1, 2028 and September 1, 2039 respectively, in each year set forth below, from sinking fund payments made by the Agency, at a redemption price equal to the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts and on September 1 in the respective years as set forth in the following table; provided however, that (x) in lieu of redemption thereof the Series 2006A Term Bonds may be purchased by the Agency pursuant to the terms of the Indenture, and (y) if some but not all of the Series 2006A Term Bonds have been redeemed pursuant to optional redemption, the total amount of all future sinking fund payments shall be reduced by the aggregate principal amount of the Series 2006A Term Bonds so redeemed, to be allocated among such sinking fund payments on a pro rata basis in integral multiples of \$5,000 as determined by the Agency (notice of which determination shall be given by the Agency to the Trustee).

**Series 2006A Term Bonds Maturing on September 1, 2038**

Sinking Account Redemption Date <u>(September 1)</u>	Principal Amount To Be Redeemed <u>or Purchased</u>
2028	\$210,000
2029	270,000
2030	285,000
2031	295,000
2032	315,000
2033	1,110,000
2034	1,310,000
2035	1,375,000
2036	1,445,000
2037	1,520,000
2038 (maturity)	1,595,000

**Series 2006A Term Bonds Maturing on September 1, 2040**

Sinking Account Redemption Date <u>(September 1)</u>	Principal Amount To Be Redeemed <u>or Purchased</u>
2039	1,675,000
2040 (maturity)	1,750,000

**Mandatory Sinking Fund Redemption- Series 2006A-T Bonds.** The Series 2006A-T Bonds maturing on September 1, 2013 and September 1, 2028 (the “**Series 2006A-T Term Bonds**”) shall also be subject to mandatory redemption in part by lot, commencing on September 1, 2007 and September 1, 2014 respectively, in each year set forth below, from sinking fund payments made by the Agency, at a redemption price equal to the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts and on September 1 in the respective years as set forth in the following table; provided however, that (x) in lieu of redemption thereof the Series 2006A-T Term Bonds may be purchased by the Agency pursuant to the terms of the Indenture, and (y) if some but not all of the Series 2006A-T Term Bonds have been redeemed pursuant to optional redemption, the total amount of all future sinking fund payments shall be reduced by the aggregate principal amount of the Series 2006A-T Term Bonds so redeemed, to be allocated among such sinking fund payments on a pro rata basis in integral multiples of \$5,000 as determined by the Agency (notice of which determination shall be given by the Agency to the Trustee).

**Series 2006A-T Term Bonds Maturing on September 1, 2013**

Sinking Account Redemption Date <u>(September 1)</u>	Principal Amount To Be Redeemed <u>or Purchased</u>
2007	\$240,000
2008	80,000
2009	90,000
2010	95,000
2011	100,000
2012	105,000
2013 (maturity)	110,000

**Series 2006A-T Term Bonds Maturing on September 1, 2028**

Sinking Account Redemption Date <u>(September 1)</u>	Principal Amount To Be Redeemed <u>or Purchased</u>
2014	\$115,000
2015	125,000
2016	125,000
2017	140,000
2018	145,000
2019	155,000
2020	165,000
2021	170,000
2022	180,000
2023	190,000
2024	205,000
2025	220,000
2026	235,000
2027	245,000
2028 (maturity)	50,000

**Mandatory Sinking Fund Redemption- Taxable Housing Bonds.** The Taxable Housing Bonds maturing on September 1, 2013, September 1, 2028 and September 1, 2040 (the “**Taxable Housing Term Bonds**”) shall also be subject to mandatory redemption in part by lot, commencing on September 1, 2007, September 1, 2014 and September 1, 2029 respectively, in each year set forth below, from sinking fund payments made by the Agency, at a redemption price equal to the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts and on September 1 in the respective years as set forth in the following table; provided however, that (x) in lieu of redemption thereof the Taxable Housing Term Bonds may be purchased by the Agency pursuant to the terms of the Indenture, and (y) if some but not all of the Taxable Housing Term Bonds have been redeemed pursuant to optional redemption, the total amount of all future sinking fund payments shall be reduced by the aggregate principal amount of the Taxable Housing Term Bonds so redeemed, to be allocated among such sinking fund payments on a pro rata basis in integral multiples of \$5,000 as determined by the Agency (notice of which determination shall be given by the Agency to the Trustee).

**Series 2006H-T Term Bonds Maturing on September 1, 2013**

Sinking Account Redemption Date <u>(September 1)</u>	Principal Amount To Be Redeemed <u>or Purchased</u>
2007	\$140,000
2008	70,000
2009	70,000
2010	75,000
2011	80,000
2012	85,000
2013 (maturity)	90,000

**Series 2006H-T Term Bonds Maturing on September 1, 2028**

<u>Sinking Account Redemption Date (September 1)</u>	<u>Principal Amount To Be Redeemed or Purchased</u>
2014	\$95,000
2015	100,000
2016	105,000
2017	110,000
2018	115,000
2019	125,000
2020	130,000
2021	140,000
2022	145,000
2023	155,000
2024	165,000
2025	175,000
2026	185,000
2027	195,000
2028 (maturity)	210,000

**Series 2006H-T Term Bonds Maturing on September 1, 2040**

<u>Sinking Account Redemption Date (September 1)</u>	<u>Principal Amount To Be Redeemed or Purchased</u>
2029	\$220,000
2030	235,000
2031	250,000
2032	265,000
2033	280,000
2034	295,000
2035	315,000
2036	335,000
2037	355,000
2038	375,000
2039	400,000
2040 (maturity)	420,000

**General Redemption Provisions for all Series**

**Notice of Redemption.** The Trustee on behalf and at the expense of the Agency is required to mail (by first class mail, postage prepaid) notice of any redemption at least thirty (30) but not more than sixty (60) days prior to the redemption date, to (i) to the Insurer and to the Owners of any Bonds designated for redemption at their respective addresses appearing on the Registration Books, and (ii) the Securities Depositories and to one or more Information Services designated in a Written Request of the Agency filed with the Trustee; but such mailing shall not be a condition precedent to such redemption and neither failure to receive any such notice nor any defect therein shall affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon. Such notice is required to state the redemption date and the redemption price, shall state that such redemption is conditioned upon the timely delivery of the redemption price by the Agency to the Trustee for deposit in the Redemption Account, shall designate the CUSIP number of the Bonds to be redeemed, shall state the individual number of each Bond to be redeemed or shall state that all Bonds between two stated numbers (both inclusive) or all of the Bonds Outstanding are to be redeemed, and

shall require that such Bonds be then surrendered at the Principal Corporate Trust Office of the Trustee for redemption at the redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date. The Agency shall have the right to rescind any optional redemption by written notice to the Trustee on or prior to the date fixed for redemption.

**Selection of Bonds for Redemption.** Whenever any Bonds or portions thereof are to be selected for redemption by lot, the Agency shall make such selection, in such manner as the Agency shall deem appropriate, and if the Agency fails to make such selection, the Trustee shall make such selection, in such manner as the Trustee shall deem appropriate, and shall notify the Agency thereof to the extent Bonds are no longer held in book-entry form. In the event of redemption by lot of Bonds, the Trustee shall assign to each Bond then Outstanding a distinctive number for each \$5,000 of the principal amount of each such Bond. The Bonds to be redeemed shall be the Bonds to which were assigned numbers so selected, but only so much of the principal amount of each such Bond of a denomination of more than \$5,000 shall be redeemed as shall equal \$5,000 for each number assigned to it and so selected.

**Transfer and Exchange.** *So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, transfers and exchanges of Bonds will be made in accordance with DTC procedures. See "Appendix G" below.* Any Bond may, in accordance with its terms, be transferred, upon the registration books of the Trustee, upon surrender of such Bond to the Trustee at its Principal Corporate Trust Office for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. Whenever any Bond or Bonds shall be surrendered for registration of transfer, the Agency shall execute and the Trustee shall authenticate and deliver a new Bond or Bonds, of like series, interest rate, maturity and principal amount of authorized denomination. The Trustee may refuse to transfer, either (a) any Bonds during the period fifteen (15) days prior to the date established by the Trustee for the selection of Bonds for redemption, or (b) any Bonds selected by the Trustee for redemption.

### ESTIMATED SOURCES AND USES OF FUNDS

The anticipated sources and uses of funds relating to the Non-Housing Bonds are as follows:

	Series <u>2006A Bonds</u>	Series <u>2006A-T Bonds</u>
<b>SOURCES:</b>		
Principal Amount of the Bonds	\$13,155,000.00	\$3,285,000.00
Plus: Net Original Issuance Premium	<u>289,203.05</u>	<u>0.00</u>
<i>Total Sources:</i>	\$13,444,203.05	\$3,285,000.00
<b>USES:</b>		
Deposit to Redevelopment Fund	\$12,984,336.60	\$3,184,484.81
Deposit to Costs of Issuance Account <sup>(1)</sup>	<u>459,866.45</u>	<u>100,515.19</u>
<i>Total Uses:</i>	\$13,444,203.05	\$3,285,000.00

<sup>(1)</sup> Includes a portion of bond insurance premium, a portion of reserve fund surety bond premium, Underwriter's Discount, Trustee fees, Fiscal Consultant fees, Financial Advisor fees, Bond Counsel and Disclosure Counsel fees, printing costs, rating agency fees and other related costs.

The anticipated sources and uses of funds relating to the Taxable Housing Bonds are as follows:

<u>SOURCES:</u>	<u>Taxable Housing Bonds</u>
Principal Amount of the Bonds	\$6,505,000.00
Less: Net Original Issue Discount	<u>0.00</u>
<i>Total Sources:</i>	\$6,505,000.00
<u>USES:</u>	
Deposit to Low and Moderate Income Housing Fund	\$6,259,254.22
Deposit to Costs of Issuance Account <sup>(1)</sup>	<u>245,745.78</u>
<i>Total Uses:</i>	\$6,505,000.00

<sup>(1)</sup> Includes the bond insurance premium, reserve fund surety bond premium, Underwriter's Discount, Trustee fees, Fiscal Consultant fees, Financial Advisor fees, Bond Counsel and Disclosure Counsel fees, printing costs, rating agency fees and other related costs.

## DEBT SERVICE SCHEDULES

Scheduled debt service on the Bonds, without regard to any optional redemption, is shown in the following tables. For debt service coverage tables, see “THE AGENCY AND THE PROJECT AREA – Projected Tax Revenues” below.

### REDEVELOPMENT AGENCY OF THE CITY OF ROSEVILLE Roseville Redevelopment Project Debt Service Schedule - Series 2006A Bonds

Bond Year Ending September 1	Principal on Series 2006A Bonds	Interest on Series 2006A Bonds	Series 2006A Bonds Total
2007	--	\$510,720.49	\$510,720.49
2008	--	640,625.00	640,625.00
2009	--	640,625.00	640,625.00
2010	--	640,625.00	640,625.00
2011	--	640,625.00	640,625.00
2012	--	640,625.00	640,625.00
2013	--	640,625.00	640,625.00
2014	--	640,625.00	640,625.00
2015	--	640,625.00	640,625.00
2016	--	640,625.00	640,625.00
2017	--	640,625.00	640,625.00
2018	--	640,625.00	640,625.00
2019	--	640,625.00	640,625.00
2020	--	640,625.00	640,625.00
2021	--	640,625.00	640,625.00
2022	--	640,625.00	640,625.00
2023	--	640,625.00	640,625.00
2024	--	640,625.00	640,625.00
2025	--	640,625.00	640,625.00
2026	--	640,625.00	640,625.00
2027	--	640,625.00	640,625.00
2028	\$210,000	640,625.00	850,625.00
2029	270,000	630,125.00	900,125.00
2030	285,000	616,625.00	901,625.00
2031	295,000	602,375.00	897,375.00
2032	315,000	587,625.00	902,625.00
2033	1,110,000	571,875.00	1,681,875.00
2034	1,310,000	516,375.00	1,826,375.00
2035	1,375,000	450,875.00	1,825,875.00
2036	1,445,000	382,125.00	1,827,125.00
2037	1,520,000	309,875.00	1,829,875.00
2038	1,595,000	233,875.00	1,828,875.00
2039	1,675,000	154,125.00	1,829,125.00
2040	1,750,000	78,750.00	1,828,750.00
Total	\$13,155,000	\$19,098,470.49	\$32,253,470.49

**REDEVELOPMENT AGENCY OF THE CITY OF ROSEVILLE**  
**Roseville Redevelopment Project**  
**Debt Service Schedule - Series 2006A-T Bonds**

Bond Year Ending September 1	Principal on Series 2006A-T Bonds	Interest on Series 2006A-T Bonds	Series 2006A-T Bonds Total
2007	\$240,000	\$150,656.66	\$390,656.66
2008	80,000	176,233.00	\$256,233.00
2009	90,000	171,985.00	\$261,985.00
2010	95,000	167,206.00	\$262,206.00
2011	100,000	162,161.50	\$262,161.50
2012	105,000	156,851.50	\$261,851.50
2013	110,000	151,276.00	\$261,276.00
2014	115,000	145,435.00	\$260,435.00
2015	125,000	138,650.00	\$263,650.00
2016	125,000	131,275.00	\$256,275.00
2017	140,000	123,900.00	\$263,900.00
2018	145,000	115,640.00	\$260,640.00
2019	155,000	107,085.00	\$262,085.00
2020	165,000	97,940.00	\$262,940.00
2021	170,000	88,205.00	\$258,205.00
2022	180,000	78,175.00	\$258,175.00
2023	190,000	67,555.00	\$257,555.00
2024	205,000	56,345.00	\$261,345.00
2025	220,000	44,250.00	\$264,250.00
2026	235,000	31,270.00	\$266,270.00
2027	245,000	17,405.00	\$262,405.00
2028	50,000	2,950.00	\$52,950.00
2029	--	--	--
2030	--	--	--
2031	--	--	--
2032	--	--	--
2033	--	--	--
2034	--	--	--
2035	--	--	--
2036	--	--	--
2037	--	--	--
2038	--	--	--
2039	--	--	--
2040	--	--	--
Total	\$3,285,000	\$2,382,449.66	\$5,667,449.66

**REDEVELOPMENT AGENCY OF THE CITY OF ROSEVILLE**  
**Roseville Redevelopment Project**  
**Debt Service Schedule - Series 2006H-T Bonds (Taxable Housing Bonds)**

Bond Year Ending September 1	Principal on Taxable Housing Bonds	Interest on Taxable Housing Bonds	Taxable Housing Bonds Total
2007	\$140,000	\$308,176.22	\$448,176.22
2008	70,000	379,128.50	449,128.50
2009	70,000	375,411.50	445,411.50
2010	75,000	371,694.50	446,694.50
2011	80,000	367,712.00	447,712.00
2012	85,000	363,464.00	448,464.00
2013	90,000	358,950.50	448,950.50
2014	95,000	354,171.50	449,171.50
2015	100,000	348,566.50	448,566.50
2016	105,000	342,666.50	447,666.50
2017	110,000	336,471.50	446,471.50
2018	115,000	329,981.50	444,981.50
2019	125,000	323,196.50	448,196.50
2020	130,000	315,821.50	445,821.50
2021	140,000	308,151.50	448,151.50
2022	145,000	299,891.50	444,891.50
2023	155,000	291,336.50	446,336.50
2024	165,000	282,191.50	447,191.50
2025	175,000	272,456.50	447,456.50
2026	185,000	262,131.50	447,131.50
2027	195,000	251,216.50	446,216.50
2028	210,000	239,711.50	449,711.50
2029	220,000	227,321.50	447,321.50
2030	235,000	213,967.50	448,967.50
2031	250,000	199,703.00	449,703.00
2032	265,000	184,528.00	449,528.00
2033	280,000	168,442.50	448,442.50
2034	295,000	151,446.50	446,446.50
2035	315,000	133,540.00	448,540.00
2036	335,000	114,419.50	449,419.50
2037	355,000	94,085.00	449,085.00
2038	375,000	72,536.50	447,536.50
2039	400,000	49,774.00	449,774.00
2040	420,000	25,494.00	445,494.00
Total	\$6,505,000	\$8,717,757.72	\$15,222,757.22

## SECURITY FOR THE BONDS

### Tax Allocation Financing

The Redevelopment Law provides a means for financing redevelopment projects based upon an allocation to a redevelopment agency of certain taxes from within a redevelopment project area. The taxable valuation of a project area last equalized prior to adoption of the redevelopment plan, or base roll, is established and, except for any period during which the taxable valuation drops below the base year level, the taxing agencies thereafter receive the taxes produced by the levy of the then current tax rate upon the base roll. Taxes collected upon any increase in taxable valuation over the base roll are allocated to a redevelopment agency and may be pledged by a redevelopment agency to the repayment of any indebtedness incurred in financing or refinancing a redevelopment project. *Redevelopment agencies themselves have no authority to levy property taxes and must look specifically to the allocation of taxes produced as above indicated.*

### Allocation of Taxes

As provided in the Redevelopment Plan, and pursuant to Article 6 of Chapter 6 of the Redevelopment Law (commencing with Section 33670 of the California Health and Safety Code) and Section 16 of Article XVI of the Constitution of the State of California, taxes levied upon taxable property in the Project Area each year by or for the benefit of the State of California and any city, county, city and county, district or other public corporation (herein collectively referred to as "taxing agencies") for each Fiscal Year beginning after the effective dates of the ordinance approving the redevelopment plan are divided as follows:

1. To other taxing agencies: That portion of the taxes which would be produced by the rate upon which the tax is levied each year by or for each of the taxing agencies upon the total sum of the assessed value of the taxable property in the Project Area as shown upon the assessment roll used in connection with the taxation of such property by such taxing agency last equalized prior the effective dates of the ordinances referred to above (the "**Base Year Amount**") shall be allocated to and when collected shall be paid into the funds of the respective taxing agencies in the same manner as taxes by or for the taxing agencies on all other property are paid; and

2. To the Agency: Except for taxes which are attributable to a tax rate levied by a taxing agency for the purpose of producing revenues to repay bonded indebtedness approved by the voters of the taxing agency on or after January 1, 1989, which shall be allocated to and when collected shall be paid to the respective taxing agency, and except for non-subordinated statutory pass-through payments, that portion of the levied taxes each year in excess of the Base Year Amount shall be paid into a special fund of the Agency to pay the principal of and interest on bonds, loans, moneys advanced to, or indebtedness (whether funded, refunded, assumed, or otherwise) incurred by the Agency to finance or refinance, in whole or in part, the Project Area.

When all bonds, loans, advances, and indebtedness, if any, and interest thereon, have been paid, all moneys thereafter received from taxes upon the taxable property in the Project Area shall be paid into the funds of the respective taxing agencies as taxes on all other property are paid. See "Tax Revenues and Housing Tax Revenues," below.

## Tax Revenues and Housing Tax Revenues

**General.** The Non-Housing Bonds are and will be equally secured by a first pledge of, security interest in and lien on all of the Tax Revenues (defined below) on a parity with the 2002 Bonds and, pursuant to the Non-Housing Indenture, the moneys in the Special Fund and the Debt Service Fund (including the Reserve Account) without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery. Except for the Tax Revenues and such moneys, no funds or properties of the Agency shall be pledged to, or otherwise liable for, the payment of principal of or interest or redemption premium (if any) on the Non-Housing Bonds.

The Taxable Housing Bonds are and will be equally secured by a first pledge of, security interest in and lien on all of the Housing Tax Revenues (defined below) and, pursuant to the Taxable Housing Indenture, the moneys in the Housing Special Fund and the Housing Debt Service Fund (including the Housing Reserve Account) without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery. Except for the Housing Tax Revenues and such moneys, no funds or properties of the Agency shall be pledged to, or otherwise liable for, the payment of principal of or interest or redemption premium (if any) on the Taxable Housing Bonds.

The provisions of the Non-Housing Indenture and the Housing Indenture are substantially the same, and the following discussions of the provisions of the Indentures are generally applicable to all three series of Bonds, unless stated otherwise.

Under the Indentures, the Agency may incur additional loans, advances or indebtedness issued or incurred by the Agency on a parity with the Bonds ("**Parity Debt**") pursuant to the Indentures, which Parity Debt shall be equally secured, on a parity with the related Bonds, by a pledge of, security interest in and lien on all of the Tax Revenues (or Housing Tax Revenues, in the case of the Taxable Housing Bonds) and the moneys in the related Special Fund and Reserve Account without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery, and, if applicable under any Supplemental Indenture, any Parity Debt shall also be secured by a first pledge of, security interest in and lien upon all of the moneys in the related Debt Service Fund. Certain conditions are required to be met for the issuance of Parity Debt. See "Parity Debt and Subordinate Debt" below. See also "APPENDIX C – Summary of Certain Provisions of the Indentures".

"**Tax Revenues**" is defined in the Non-Housing Indenture as all taxes pledged and annually allocated within the Plan Limit and paid to the Agency with respect to the Project Area pursuant to Article 6 of Chapter 6 (commencing with Section 33670) of the Law and Section 16 of Article XVI of the Constitution of the State, or pursuant to other applicable State laws, and as provided in the Redevelopment Plan, and all payments, subventions and reimbursements, if any, to the Agency specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations, and including that portion of such taxes otherwise required by Section 33334.3 of the Law to be deposited in the Low and Moderate Income Housing Fund, but only to the extent necessary to repay that portion of the Bonds and that portion of any Parity Debt (including applicable reserves and financing costs) issued to finance or refinance amounts deposited in the Low and Moderate Income Housing Fund for use pursuant to Section 33334.2 of the Law to increase or improve the supply of low and moderate income housing within or of benefit to the Project Area; but excluding all other amounts of such taxes (if any) (i) required to be deposited into the Low and Moderate Income Housing Fund of the Agency pursuant to Section 33334.3 of the Law for increasing and improving the supply of low and moderate income housing, (ii) amounts payable by the State to the Agency under and pursuant to Chapter

1.5 of Part 1 of Division 4 of Title 2 (commencing with Section 16110) of the California Government Code, and (iii) amounts payable by the Agency pursuant to Sections 33607.5 and 33607.7 of the Law, except and to the extent that any amounts so payable are payable on a basis subordinate to the payment of the Bonds, including any Parity Debt, and (iv) amounts payable pursuant to the Pass-Through Agreements, except and to the extent that any amounts so payable have been subordinated to the payment of debt service on the Bonds, including any Parity Debt.

**“Housing Tax Revenues”** is defined in the Housing Indenture as that portion of tax increment revenues derived from the Project Area required by Section 33334.3 of the Redevelopment Law to be deposited in the Agency’s Low and Moderate Income Housing Fund. Section 33334.2 of the Redevelopment Law requires that not less than 20% of tax increment be deposited into the Agency’s Low and Moderate Income Housing Fund, to be used for the purposes of increasing and improving the community’s supply of low and moderate income housing. Because the proceeds of the Taxable Housing Bonds will be used to increase the City’s supply of low and moderate income housing, payments on the Taxable Housing Bonds are eligible for payment from Housing Tax Revenues. Since no part of the 2002 Bonds were used and no part of the Non-Housing Bonds is being used for qualified housing purposes, the Agency currently has no other long-term debt payable from Housing Tax Revenues on a senior or parity basis with the Taxable Housing Bonds. See “THE AGENCY AND THE PROJECT AREA – Low and Moderate Income Housing” below. See also Table 7 – “Projected Housing Tax Revenues and Debt Service Coverage” in the section “THE AGENCY AND THE PROJECT AREA” below.

**Limitations on Tax Revenues.** The Agency’s receipt of Tax Revenues is subject to certain limitations (the “**Plan Limit**”) contained in the Redevelopment Plan on the number of dollars of taxes which may be divided and allocated to the Agency pursuant to the Redevelopment Plan, as such limitation is prescribed by Section 33333.4 of the Redevelopment Law. See “THE AGENCY AND THE PROJECT AREA – Limitations on Tax Revenues.”

The Agency has no power to levy and collect property taxes, and any property tax limitation, legislative measure, voter initiative or provisions of additional sources of income to taxing agencies having the effect of reducing the property tax rate, could reduce the amount of Tax Revenues that would otherwise be available to pay debt service on the Bonds and, consequently, the principal of, and interest on, the Bonds. Likewise, broadened property tax exemptions could have a similar effect. See “RISK FACTORS” and “LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS” herein.

THE BONDS ARE NOT A DEBT, LIABILITY OR OBLIGATION OF THE STATE OF CALIFORNIA, THE CITY OR ANY OF ITS POLITICAL SUBDIVISIONS, AND NEITHER THE STATE, THE CITY NOR ANY OF ITS POLITICAL SUBDIVISIONS (OTHER THAN THE AGENCY) IS LIABLE THEREON. THE AGENCY HAS NO TAXING POWER. THE BONDS ARE REVENUE BONDS, PAYABLE EXCLUSIVELY FROM THE TAX REVENUES OR HOUSING TAX REVENUES AND OTHER FUNDS AS PROVIDED IN THE INDENTURES. THE OBLIGATIONS OF THE AGENCY UNDER THE BONDS AND ANY ADDITIONAL BONDS OF THE AGENCY ARE PAYABLE SOLELY FROM TAX REVENUES OR HOUSING TAX REVENUES ALLOCATED TO THE AGENCY FROM THE PROJECT AREA.

In consideration of the acceptance of the Bonds by those who shall hold the same from time to time, the Indentures constitute a contract between the Agency and the Owners from time to time of the Bonds, and the covenants and agreements set forth therein to be performed on behalf of the Agency are for the equal and proportionate benefit, security and protection of all

owners of the Bonds without preference, priority or distinction as to security or otherwise of any of the Bonds over any of the others by reason of the number or date thereof or the time of sale, execution and delivery thereof, or otherwise for any cause whatsoever, except as expressly provided in the Bonds or in the related Indenture.

### **Outstanding Debt**

**Outstanding Senior or Parity Debt.** In 2002, the Agency issued \$14,500,000 Roseville Redevelopment Project Tax Allocation Bonds, Series 2002 (the “**2002 Bonds**”) currently outstanding in the amount of \$13,460,000. The 2002 Bonds are payable from Tax Revenues, on a parity with the Non-Housing Bonds. The Agency currently has no other outstanding long-term debt with a senior or parity claim on Housing Tax Revenues. The Agency may issue parity debt in the future, subject to the conditions set forth in the Indentures. See “Parity Debt and Subordinate Debt” below.

**Outstanding Subordinate Debt.** The City has in the past made loans to the Agency for various improvement projects. The City and the Agency have agreed that the repayment of all amounts which have been advanced, or which will in the future be advanced, by the City to the Agency are repayable from tax increment revenues of the Agency from the Project Area on a subordinate basis to the Agency's obligation for payment of debt service on the Bonds and any Parity Debt. See "THE AGENCY AND THE PROJECT AREA – Tax Sharing Agreements and Subordinate Obligation to City."

### **Reserve Accounts**

Under each Indenture, a Reserve Account is established and held by the Trustee and pledged to payment of the respective Bonds and any related respective Parity Debt. On the date of issuance, a portion of Non-Housing Bond proceeds and a portion of Taxable Housing Bond proceeds will be deposited into the respective separate Reserve Accounts, with, for accounting purposes only, subaccounts for each series of the Non-Housing Bonds, in the allocable share of the Reserve Requirement. “**Reserve Requirement**” is defined in the Indentures to mean, as to the Non-Housing Bonds and Housing Bonds considered independently, and as of the date of calculation by the Agency, the lesser of (i) the amount of Maximum Annual Debt Service on the respective Bonds, including any respective Parity Debt, (ii) ten percent (10%) of the total of the proceeds of the respective Bonds, including any respective Parity Debt or (iii) one hundred and twenty five percent (125%) of average Annual Debt Service on the respective Bonds, including any respective Parity Debt; provided, that in no event shall the Agency, in connection with the issuance of Parity Debt, be obligated to deposit an amount in the Reserve Account which is in excess of the amount permitted by the applicable provisions of the Code to be so deposited from the proceeds of tax exempt bonds. “**Maximum Annual Debt Service**” as to the Non-Housing Bonds and Housing Bonds considered independently, means, as of the date of calculation, the largest Annual Debt Service for the current or any future Bond Year, including payments on any related Parity Debt, as certified in writing by the Agency to the Trustee. For purposes of such calculation, there shall be excluded the principal of any Bonds (including any Parity Debt), together with the interest to accrue thereon, in the event and to the extent that the proceeds of such Bonds (including any Parity Debt) are deposited in an escrow fund and held in cash or are invested solely in Permitted Investments and from which amounts may not be released to the Agency unless the amount of Tax Revenues for the current Fiscal Year (as evidenced in the written records of the County), at least equal the requirements for issuance of Parity Debt under the Indentures. See “Parity Debt and Subordinate Debt” below. “**Annual Debt Service**” means, for each Bond Year, as to the Non-Housing Bonds and Housing Bonds considered independently, the sum of (a) the interest payable on the Outstanding Bonds and

Parity Debt in such Bond Year, assuming that the Outstanding Bonds and Parity Debt are retired as scheduled, and (b) the principal amount of the Outstanding Serial Bonds and Parity Debt payable by their terms in such Bond Year, and (c) the principal amount of the Outstanding portion of any Bonds and Parity Debt payable from mandatory Sinking Account payments and scheduled to be paid or redeemed from mandatory Sinking Account payments in such Bond Year. Annual Debt Service includes payment, for each Bond Year, on any additional respective Parity Debt.

In the event that the amount on deposit in a Reserve Account at any time becomes less than the related Reserve Requirement, the Trustee is required to notify the Agency of such fact and the Agency is required to transfer to the Trustee an amount sufficient to maintain the Reserve Requirement on deposit in the Reserve Account. If there shall then not be sufficient Tax Revenues (or Housing Tax Revenues, as the case may be) to transfer an amount sufficient to maintain the Reserve Requirement on deposit in the Reserve Account, the Agency shall be obligated to continue making transfers as Tax Revenues, or Housing Tax Revenues, become available in the related Special Fund until there is an amount sufficient to maintain the Reserve Requirement on deposit in the Reserve Account. No such transfer and deposit need be made to the Reserve Account so long as there shall be on deposit therein a sum at least equal to the Reserve Requirement.

All money in the respective Reserve Account shall be used and withdrawn by the Trustee solely for the purpose of making transfers to the respective Interest Account and the Principal Account in such order of priority, in the event of any deficiency at any time in any of such accounts or for the retirement of all the respective Bonds and Parity Debt then Outstanding, except that so long as the Agency is not in default, any amount in the Reserve Account in excess of the Reserve Requirement will be withdrawn from the Reserve Account semiannually on or before the fifth Business Day preceding each March 1 and September 1 by the Trustee and deposited in the Interest Account. All amounts in the respective Reserve Account on the Business Day preceding the final Interest Payment Date will be withdrawn from such Reserve Account and transferred either (i) to the Interest Account and the Principal Account, in such order, to the extent required to make the deposits then required to be made or, (ii) if the Agency shall have caused to be transferred to the Trustee an amount sufficient to make the deposits required, then, upon request of the Agency, to the Agency for deposit by the Agency into the Redevelopment Fund (in the case of the Non-Housing Bonds) or to the Low and Moderate Income Housing Fund (in the case of the Taxable Housing Bonds).

A Reserve Account may be satisfied with the acquisition of a financial instrument meeting the requirements of a "Qualified Reserve Account Credit Instrument". "**Qualified Reserve Account Credit Instrument**" is defined to mean an irrevocable standby or direct-pay letter of credit or surety bond issued by a commercial bank or insurance company and deposited with the Trustee, provided that all of the following requirements are met at the time of acceptance thereof by the Trustee: (a) the long-term credit rating of such bank or claims paying ability of such insurance company is AAA from S&P or AAA from Moody's or, if rated by A.M. Best & Company, is rated in the highest rating category by A.M. Best & Company; (b) such letter of credit or surety bond has a term of at least 12 months; (c) such letter of credit or surety bond has a stated amount at least equal to the portion of the Reserve Requirement with respect to which funds are proposed to be released; and (d) the Trustee is authorized pursuant to the terms of such letter of credit or surety bond to draw thereunder an amount equal to any deficiencies which may exist from time to time in the Interest Account or the Principal Account for the purpose of making payments required pursuant to the Indentures.

The Reserve Requirement for each Reserve Account for the Series 2006A Bonds and Series 2006A-T Bonds will be initially met with a reserve fund surety bond (the "**Surety Bond**"),

to be provided by the Insurer and the Reserve Requirement for the Taxable Housing Bonds will be initially met with a separate reserve fund surety bond to be provided by the Insurer. In addition, as permitted under the Original Indenture, the existing reserve account for the 2002 Bonds will be substituted by the Surety Bond. Accordingly, the amount of the Surety Bond is sufficient to meet the Reserve Requirement allocable to the combined amount of Series 2006A Bonds, Series 2006A-T Bonds and the 2002 Bonds. At the time of issuance of the Bonds, the combined Reserve Requirement for the 2006A Bonds, 2006A-T Bonds and the 2002 Bonds is \$1,829,875.00 and the Reserve Requirement for the 2006H-T Bonds is 449,774.00. A portion of the premium for the Surety Bond has been paid from moneys available in the Reserve Account established for the 2002 Bonds. See "Financial Guaranty Insurance" below.

### **Parity Debt and Subordinate Debt**

**Issuance of Parity Debt.** In addition to the Bonds, the Agency may, by Supplemental Indenture, issue or incur other loans, advances or indebtedness ("**Parity Debt**") payable from Tax Revenues on a parity with the Non-Housing Bonds (or Housing Tax Revenues on a parity with the Taxable Housing Bonds) to finance redevelopment activities with respect to the Project Area in such principal amount as shall be determined by the Agency. The Agency may issue and deliver any such Parity Debt subject to the following specific conditions all of which are made conditions precedent to the issuance and delivery of such Parity Debt:

(a) No event of default under the applicable Indenture, under any Parity Debt Instrument or under any Subordinate Debt Instrument shall have occurred and be continuing, and the Agency shall otherwise be in compliance with all covenants set forth in the applicable Indenture;

(b) The Tax Revenues (or Housing Tax Revenues) estimated to be received for the then current Fiscal Year, based on the most recent assessed valuation of property in the Project Area (excluding taxes attributable to a tax rate levied by a taxing agency after January 1, 1989 for the purpose of producing revenues in an amount sufficient to make annual repayments of the principal of, and the interest on, any bonded indebtedness of such taxing agency), as evidenced in writing from the County Assessor or other appropriate official of the County, plus, at the option of the Agency, the Additional Revenues, shall be at least equal to one hundred twenty five percent (125%) of Maximum Annual Debt Service, including annual debt service on the proposed Parity Debt.

(c) The amount on deposit in the respective Reserve Account shall be increased to the respective Reserve Requirement taking into account the Parity Debt to be issued.

(d) Principal with respect to such Parity Debt will be required to be paid on September 1 in any year in which such principal is payable, provided that if such Parity Debt is Variable Rate Parity Debt and is in the form of auction rate securities, mandatory sinking account redemptions (other than the mandatory sinking account payment due upon the maturity of such Variable Rate Parity Debt) shall occur on either the first Interest Payment Date immediately after the scheduled mandatory sinking account date set forth in the applicable Parity Debt Instrument if such scheduled sinking account payment date is not an Interest Payment Date; and

(e) The aggregate amount of the principal of and interest on all respective Outstanding Housing Bonds or Non Housing Bonds, as applicable, including Outstanding respective Parity Debt, and Subordinate Debt coming due and payable following the issuance of such Parity Debt shall not exceed the maximum amount of Tax Revenues (or Housing Tax

Revenues) permitted under the Plan Limit to be allocated and paid to the Agency following the issuance of such Parity Debt as shall be confirmed at the time of the issuance of such Parity Debt and as shall be thereafter confirmed at least annually by the Agency in a written accounting to the Trustee and the Insurer. The Agency shall provide for the deposit of Tax Revenues (or Housing Tax Revenues) into an escrow held by the Trustee and pledged to the payment of the respective Bonds in the event and to the extent it determines, based on the annual calculation provided for in the preceding sentence, that remaining Debt Service payable on the respective Bonds, including any Parity Debt, exceeds ninety-five percent (95%) of the amount of Tax Revenues (or Housing Tax Revenues) then remaining to be allocated and paid to the Agency under the Plan Limit. The Agency shall apply amounts on deposit in such escrow deposit solely to the purchase or redemption of respective Bonds, including such Parity Debt; and

(f) The Agency shall deliver to the Trustee a Written Certificate of the Agency certifying that the conditions precedent to the issuance of such Parity Debt set forth in subsections (a) and (b) above have been satisfied and accompanied by a written Report of an Independent Redevelopment Consultant evidencing that the condition set forth in subsection (b) above has been satisfied.

**Issuance of Subordinate Debt.** In addition to the Bonds, the Agency may issue or incur loans, advances or indebtedness (“**Subordinate Debt**”) which are either: (a) payable from, but not secured by a pledge of or lien upon, the Tax Revenues (or Housing Tax Revenues, in the case of the Taxable Housing Bonds); or (b) secured by a pledge of or lien upon the Tax Revenues (or Housing Tax Revenues) which is expressly subordinate to the pledge of and lien upon the Tax Revenues (or Housing Tax Revenues) for security of the Bonds, in such principal amount as shall be determined by the Agency. The Agency may issue or incur such Subordinate Debt subject to the following specific conditions precedent:

(a) The Agency shall be in compliance with all covenants set forth in the Indenture and all Supplemental Indentures;

(b) If, and to the extent, such Subordinate Debt is payable from Tax Revenues (or Housing Tax Revenues) within the then existing limitation on the amount of Tax Revenues (or Housing Tax Revenues) allocable and payable to the Agency under the Redevelopment Plan, then the aggregate amount of the principal of and interest to accrue on all Outstanding Bonds, Parity Debt and Subordinate Debt coming due and payable following the issuance of such Subordinate Debt shall not exceed the maximum amount of Tax Revenues (or Housing Tax Revenues) permitted under the Plan Limit to be allocated and paid to the Agency following the issuance of such Subordinate Debt; and

(c) The Agency shall deliver to the Trustee a Written Certificate of the Agency certifying that the conditions precedent to the issuance of such Subordinate Debt set forth in the Indenture have been satisfied.

## FINANCIAL GUARANTY INSURANCE

### Payment Pursuant to Financial Guaranty Insurance Policy

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

The Financial Guaranty Insurance Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding Bonds, Ambac Assurance will remain obligated to pay principal of and interest on outstanding Bonds on the originally scheduled interest and principal payment dates including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration, except to the extent that Ambac Assurance elects, in its sole discretion, to pay all or a portion of the accelerated principal and interest accrued thereon to the date of acceleration (to the extent unpaid by the Obligor). Upon payment of all such accelerated principal and interest accrued to the acceleration date, Ambac Assurance's obligations under the Bond Insurance Policy shall be fully discharged.

In the event the Trustee has notice that any payment of principal of or interest on a Bond which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac Assurance to the extent of such recovery if sufficient funds are not otherwise available.

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

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

If it becomes necessary to call upon the Financial Guaranty Insurance Policy, payment of principal requires surrender of Bonds to the Insurance Trustee together with an appropriate

instrument of assignment so as to permit ownership of such Bonds to be registered in the name of Ambac Assurance to the extent of the payment under the Financial Guaranty Insurance Policy. Payment of interest pursuant to the Financial Guaranty Insurance Policy requires proof of Holder entitlement to interest payments and an appropriate assignment of the Holder's right to payment to Ambac Assurance.

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

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

### **Debt Service Reserve Fund Ambac Assurance Surety Bond**

The Indentures require the establishment of a Reserve Account in an amount equal to \$1,829,875 for the NonHousing Bonds and the 2002 Bonds, and a Reserve Account in an amount equal to \$449,774 for the Housing Bonds. The Indentures authorize the Obligor to obtain a Surety Bond in place of fully funding the Reserve Accounts. Accordingly, application has been made to Ambac Assurance for the issuance of a Surety Bond for the purpose of funding the Reserve Accounts for the Bonds and the 2002 Bonds. The Bonds will only be delivered upon the issuance of such Surety Bonds. The premium on the Surety Bond is to be fully paid at or prior to the issuance and delivery of the Bonds. The Surety Bond provides that upon the later of (i) one (1) day after receipt by Ambac Assurance of a demand for payment executed by the Trustee certifying that provision for the payment of principal or interest on the Bonds or the 2002 Bonds when due has not been made or (ii) the interest payment date specified in the Demand for Payment submitted to Ambac Assurance, Ambac Assurance will promptly deposit funds with the Paying Agent sufficient to enable the Paying Agent to make such payments due on such Bonds, but in no event exceeding the Surety Bond Coverage, as defined in the Surety Bond.

Pursuant to the terms of the Surety Bond, the Surety Bond Coverage is automatically reduced to the extent of each payment made by Ambac Assurance under the terms of the Surety Bond and the Obligor is required to reimburse Ambac Assurance for any draws under the Surety Bond with interest at a market rate. Upon such reimbursement, the Surety Bond is reinstated to the extent of each principal reimbursement up to but not exceeding the Surety Bond Coverage. The reimbursement obligation of the Obligor is subordinate to the Obligor's obligations with respect to the Bonds (or the 2002 Bonds).

In the event the amount on deposit, or credited to a Reserve Account, exceeds the amount of the Surety Bond, any draw on the Surety Bond shall be made only after all the funds in the Reserve Account have been expended. In the event that the amount on deposit in, or credited to, a Reserve Account, in addition to the amount available under the Surety Bond, includes amounts available under a letter of credit, insurance policy, Surety Bond or other such funding instrument (the "Additional Funding Instrument"), draws on the Surety Bond and the Additional Funding Instrument shall be made on a pro rata basis to fund the insufficiency. The Indentures provide that the Reserve Account shall be replenished in the following priority: (i) principal and interest on the Surety Bond and on the Additional Funding Instrument shall be paid from first available Revenues on a pro rata basis; (ii) after all such amounts are paid in full, amounts necessary to fund the Reserve Fund to the required level, after taking into account the amounts available under the Surety Bond and the Additional Funding Instrument shall be

deposited from next available Revenues.

The Surety Bond does not insure against nonpayment caused by the insolvency or negligence of the Trustee or the Paying Agent.

### **Ambac Assurance Corporation**

Ambac Assurance Corporation ("**Ambac Assurance**") is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam, the Commonwealth of Puerto Rico and the U.S. Virgin Islands, with admitted assets of approximately \$9,599,000,000 (unaudited) and statutory capital of \$6,000,000,000 (unaudited) as of June 30, 2006. Statutory capital consists of Ambac Assurance's policyholders' surplus and statutory contingency reserve. Standard & Poor's Credit Markets Services, a Division of The McGraw-Hill Companies, Moody's Investors Service and Fitch Ratings have each assigned a triple-A financial strength rating to Ambac Assurance.

Ambac Assurance has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by Ambac Assurance will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by Ambac Assurance under policy provisions substantially identical to those contained in its financial guaranty insurance policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the Obligor of the Bonds.

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

### **Available Information**

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

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

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

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

1. The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2005 and filed on March 13, 2006;
2. The Company's Current Report on Form 8-K dated and filed on April 26, 2006;
3. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 2006 and filed on May 10, 2006;
4. The Company's Current Report on Form 8-K dated July 25, 2006 and filed on July 26, 2006;
5. The Company's Current Report on Form 8-K dated and filed on July 26, 2006; and
6. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended June 30, 2006 and filed on August 9, 2006.

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

## **THE AGENCY AND THE PROJECT AREA**

### **Authority and Personnel**

The Agency was created on July 28, 1988 with the adoption of an Ordinance by the City Council pursuant to the Redevelopment Law, and the City Council then designated itself as the governing board of the Agency. The City Manager serves as Executive Director of the Agency. The Agency is authorized to redevelop and upgrade blighted areas of the City. The Agency is a separate public body and exercises governmental functions in planning and carrying out redevelopment projects. The Agency can build public improvements, facilitate the development of on- and off-site improvements for private development projects, acquire and re-sell property, and provide services of special benefit to the Project Area. All powers of the Agency are vested in its five-member board.

Members of the Board of the Agency and their term of office are shown below:

Gina Garbolino, Chair	November 2006
Rocky Rockholm, Vice Chair	November 2008
John Allard, Member	November 2008
Jim Gray, Member	November 2006
Richard Roccucci, Member	November 2008

The Agency has two redevelopment project areas; the Project Area and the Roseville Flood Control Redevelopment Project established in 1998. The Tax Revenues and Housing Tax Revenues securing the applicable Bonds are generated only within the Project Area.

## **Agency Administration; Financial Audit; Fiscal Consultant**

The Agency does not adopt an appropriated budget and is not required to adopt such a budget by law. However, the Agency does adopt a non-appropriated budget annually which is approved by the Board of the Agency. Certain City staff members are budgeted and paid for by the Agency.

The Redevelopment Law requires redevelopment agencies to have an independent financial audit conducted each year. The financial audit is also required to include an opinion of the Agency's compliance with laws, regulations and administrative requirements governing activities of the Agency. Maze & Associates, Walnut Creek, California, audited the financial statements of the Agency for the fiscal year ended June 30, 2005. The firm's examination was made in accordance with generally accepted auditing standards. The City and the Agency follow fund accounting principles reflecting the modified accrual basis of accounting in which revenue is recognized when earned or otherwise becomes available, and expenditures are recognized when incurred. The firm reported after their examination that they noted no instances of noncompliance for the fiscal year ended June 30, 2005. See "APPENDIX A - Audited Financial Statements of the Agency for Fiscal Year Ended June 30, 2005."

The Agency has not requested nor did the Agency obtain permission from Maze & Associates to include the audited financial statements as an appendix to this Official Statement. Accordingly, Maze & Associates has not performed any post-audit review of the financial condition or operations of the Agency.

In connection with the issuance of the Bonds, the Agency has engaged Fraser & Associates, Roseville, California (the "**Fiscal Consultant**") to prepare a Fiscal Consultant Report dated September 2006. See "APPENDIX B – Fiscal Consultant's Report".

### **The Redevelopment Plan**

On October 18, 1989, the City Council adopted the Redevelopment Plan by Ordinance No. 2274 and established the boundaries of the Project Area. The Project Area includes approximately 1,619 acres. The Redevelopment Plan was subsequently amended by Ordinance No. 2814 adopted on September 21, 1994, and established certain time and financial limits as required by the Redevelopment Law. The Project Area was amended a second time on April 20, 2005 by Ordinance No. 4211. The second amendment deleted the final date to establish debt, pursuant to SB 211 (see below), and extended by one year the last date that the Plan can be effective and the Agency can receive tax increment. The current time limits for the Project Area are as follows:

Debt Establishment:	Deleted
Plan Effectiveness:	10/18/2030
Last Day for Debt Repayment:	10/18/2040
Bond Debt Limit:	\$50 million
Tax Increment Limit:	\$450 million

Through May 2006, the Agency has received approximately \$24.4 million in tax increment for the Project Area. The Fiscal Consultant's projections indicate that the Agency will not reach the \$450 million tax increment limit during the life of the Project Area.

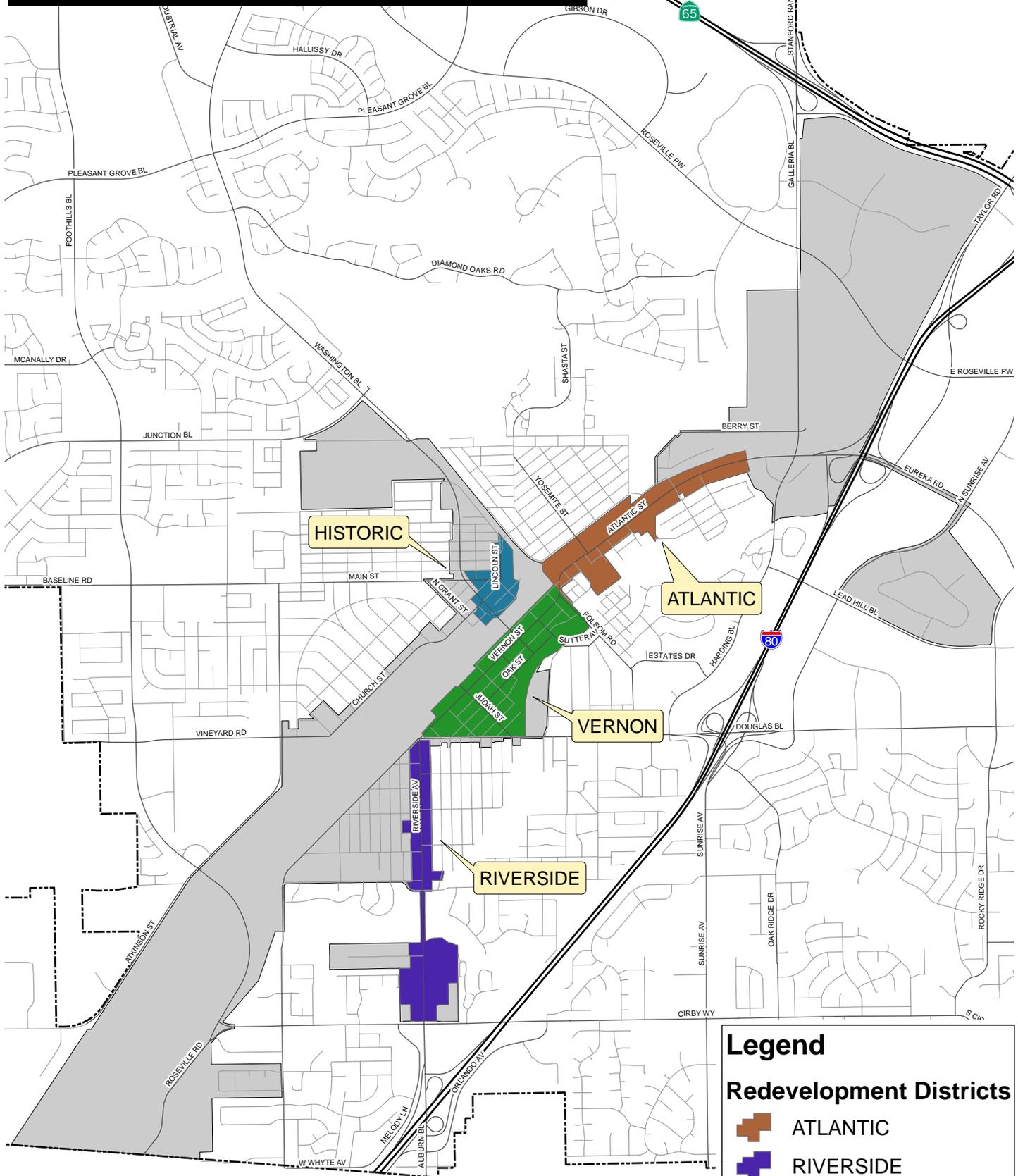
*SB 211.* The California Legislature enacted SB 211, Chapter 741, Statutes 2001, effective January 1, 2002 ("SB 211"). SB 211 provides, among other things, that, at anytime

after January 1, 2002, the time limitation on incurring indebtedness contained in a redevelopment plan adopted prior to January 1, 1994, may be deleted by ordinance of the legislative body. However, such deletion will trigger statutory tax sharing with those taxing entities that do not have tax sharing agreements. Tax sharing will be calculated based on the increase in assessed valuation after the year in which the limitation would otherwise have become effective. The second amendment to the Redevelopment Plan described above deleted the last date to incur debt and extended by one year the last date that the Plan can be effective and the Agency can receive tax increment. The Fiscal Consultant has included the impact of statutory tax sharing payments in the projections of tax increment contained in its report. See "Tax Sharing Agreements and Subordinate Obligation to City – Statutory Tax Sharing" below.

SB 211 also prescribes additional requirements that a redevelopment agency would have to meet upon extending the time limit on the effectiveness of a redevelopment plan and the time limit to receive tax increment, including requiring an increased percentage of new and substantially rehabilitated dwelling units to be available at affordable housing cost to persons and families of low or moderate income prior to the termination of the effectiveness of the plan. The Agency does not currently expect that it will adopt an ordinance to extend the time limit on plan effectiveness and the receipt of tax increment pursuant to the authorization contained in SB 211.

The following page shows a map of the Project Area. The designations "Historic", "Atlantic", "Vernon" and "Riverside" indicate internal planning areas referenced by the Agency; all of such areas are included in the Project Area.

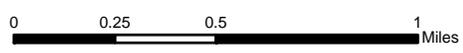
# ROSEVILLE REDEVELOPMENT AREAS



**Legend**

**Redevelopment Districts**

-  ATLANTIC
-  RIVERSIDE
-  VERNON
-  HISTORIC
-  MAIN



## The Project Area

The 1,619-acre Project Area is located entirely within the City and encompasses the City's historic core downtown area, including pockets of residential areas, along with nearby newer and developing commercial and office uses. Upon adoption of the Redevelopment Plan in 1989, approximately 20% of the Project Area was undeveloped. Currently, nearly all of the larger vacant parcels have been developed.

The downtown area is located along Vernon Street and includes the recently expanded City Hall complex. The Project Area also includes the nearby historic district, the Riverside Avenue commercial corridor, the Atlantic Street commercial corridor, the Theiles, Cherry Glen, and Old Town residential neighborhoods, the newly developing Creekside area, the Roseville Auto Mall south of Interstate 80, and the City railroad yard, which is the largest rail yard west of the Missouri River and functions as the primary rail transport hub for movement of transcontinental import and export products from Oakland and San Francisco ports.

The majority of land (by assessed value) in the Project Area is used for commercial purposes. The following table shows the land use in the Project Area, according to 2006-07 assessed value.

**Table 1**  
**REDEVELOPMENT AGENCY OF THE CITY OF ROSEVILLE**  
**Roseville Redevelopment Project Area**  
**Land Use Summary**  
**Fiscal Year 2006-07**

	No. of Parcels	Taxable Value	% of Total Value
Residential	446	\$120,195,449	17.42%
Commercial	418	433,664,884	62.86
Industrial	109	46,419,443	6.73
Vacant Land	172	14,266,926	2.07
Other	184	12,834,771	1.87
Total Secured	1,329	627,381,473	90.95
Unsecured/State Assessed		62,464,612	9.05
Total		\$689,846,085	100.00%

Source: Fraser & Associates.

Redevelopment in the downtown area has been focused on completion of the City's Central Roseville Revitalization Strategy, a 5 year market-driven plan designed to complete specific public and private projects to spur revitalization of the core downtown central area. The Agency has attracted over \$50 million in public and private revitalization financing for this purpose. The central area is currently experiencing substantial revitalization through a combination of public and private projects. The City completed a new Civic Center at a cost of \$15 million and the Agency completed a \$4.2 million renovation of the downtown streetscape. Using proceeds of the 2002 Bonds as a catalyst, the Agency is also completing a 550-space public parking garage, and two streetscape/infrastructure projects in Historic Old Town and Riverside Avenue. These three projects combined are valued at \$29.8 million. On the private side, a new 58,000 square foot Class-A office building is being constructed downtown valued at \$13 million and a 26-unit work live loft project is in the approval stage for construction in Historic Old Town. Victoria Station, a single family for sale housing development, is under construction

of 48 units including four affordable units on Church Street. The project area continues to evolve into a place that attracts professional and service businesses and is beginning to attract retail. Proceeds of the Bonds are expected to be used in the downtown area. See "Use of Bond Proceeds" below.

Substantial new commercial development in the Project Area is within the Creekside area at the northwest corner of the Harding Boulevard/Roseville Parkway intersection. This and other new development in the area represents a significant portion of recent increases in tax increment revenues. Creekside area projects include the following:

*The Preserve at Creekside* is a completed 336 unit apartment complex which has added over \$30 million of assessed value.

*Creekside Towncenter* contains 368,000 square feet of retail space. The development recently sold and as of the 2006-07 tax roll, the County had enrolled the new sales value of \$107.7 million.

*The Ridge at Creekside* is a retail use that was completed in 2003. It includes over 200,000 square feet of development, including a Macy's Home Improvement store, REI and the Expo Design Center. It is valued at \$42.5 million on the 2006-07 tax roll.

*Creekside Ridge Office* currently includes five completed office buildings for a total of 806,162 square feet. The office complex is valued at \$57.7 million.

*The Courtyard by Marriott* with 125 rooms and *Homewood Suites* with 114 rooms were completed in 2004. They have added over \$17 million in new value since 2004-05.

Other significant development in the Project Area includes the Roseville Auto Mall, which occupies 100 acres south of Interstate 80. The mall opened in 1989 and is currently the largest in northern California and the second largest in California, with auto buyers coming from an area extending from the San Francisco Bay Area to Reno, Nevada.

## **Use of Bond Proceeds**

The 2002 Bonds were issued to finance various capital improvement projects, including the renovation of the Tower Theater, the Civic Plaza parking garage, and streetscape projects for Riverside Avenue and Historic Old Town. The theater renovation is complete and the parking garage is under construction. Historic Old Town has broken ground and Riverside Avenue is scheduled to begin construction in Spring 2007. Net proceeds of the Bonds are expected to be used to complete projects already in progress and develop new ones by financing all or a portion of the costs of redevelopment activities within and of benefit to the downtown and historic areas property within the Project Area. The Bonds include tax exempt and taxable bonds in order to have additional flexibility and proceeds of the Bonds are currently expected to be used for the following anticipated projects (however the Agency may substitute other eligible projects as needs are further assessed):

### **Tax Exempt – Non Housing**

- Completion of the infrastructure component of the Riverside Streetscape and Infrastructure Project;
- Additional funding for phase II of the Washington Blvd. pedestrian underpass;
- Assist in the development of public parking garage in Historic Old Town;

- Design and engineering of public improvements identified in the Downtown Vision.

**Taxable – Non Housing**

- Establish a low interest rate revolving loan fund for private property improvements;
- Property acquisition for the purpose of aggregating properties for resale;
- Incentives for private projects such as fee subsidies or waivers.

**Taxable – Housing**

- Development of for sale condominium style housing as part of a mixed use development project either new construction or acquisition rehabilitation;
- Down payment assistance for the First Time Home Buyer program.

**Assessed Valuation**

Tax Revenues and Housing Tax Revenues to be used for payment of the Bonds are generated from increases in the total assessed value above the base year value. See "SECURITY FOR THE BONDS – Tax Revenues." In or about August of each year, the County Auditor-Controller provides a report of the current year and base year values for the Project Area. The current (fiscal year 2006-07) total assessed value of the Project Area is \$689,846,085, of which tax increment revenue is generated from the incremental assessed value of \$550,421,529, representing the excess of the value of the Project Area over the 1989-90 base year value of \$278,149,053.

The following table summarizes the assessed valuation of property in the Project Area during fiscal years 2002-03 through 2006-07.

**Table 2  
REDEVELOPMENT AGENCY OF THE CITY OF ROSEVILLE  
Roseville Redevelopment Project Area  
Historical Taxable Value  
2002-03 through 2006-07**

Fiscal Year	Locally-Assessed Secured Value	Unsecured Value	State-Assessed Value	Total Taxable Value	Percentage Change	Total Incremental Value <sup>(1)</sup>
2002-03	\$373,443,349	\$35,291,503	\$8,838,757	\$417,573,609	14%	\$278,149,053
2003-04	431,945,817	44,516,191	9,593,909	486,055,917	16	346,631,361
2004-05	493,164,260	44,475,089	11,236,935	548,876,284	13	409,451,728
2005-06	546,418,879	48,038,555	10,448,206	604,905,640	10	465,481,084
2006-07	627,381,473	53,498,214	8,966,398	689,846,085	14	550,421,529
Total Percentage Change						65.20%
Average Percentage Change						13.37%

<sup>(1)</sup> Taxable Value above base year value of \$139,424,556.  
Source: Placer County Auditor-Controller Office.

Taxable values have increased from \$417.6 million in 2002-03 to \$689.8 million in 2006-07. The total percentage change was 65.2% over the four year period. The average annual percentage change in values was 13.4%.

Secured taxable values have increased by \$134.2 million since 2004-05. This growth has largely been driven by changes of ownership. The Creekside Towncenter (described under "The Project Area" above) which includes over 368,000 square feet of retail uses that was completed in 2002, was sold to Donahue Scribner. This change of ownership increased taxable values by over \$48 million. Other smaller changes of ownership also contributed over \$23 million in new value. These represented 107 separate changes of ownership. The average value of the parcels that changed ownership went from \$195,000 to \$415,000.

New development also added \$30 million in new value. This included the completion of two hotels, a Courtyard by Marriott and the Homewood Suites. One 80,000 square foot office development was also completed during this period. The balance of growth can be attributed to the allowable 2% inflation adjustment and other new investment in the Project Area.

The Fiscal Consultant has identified one major new development that is currently under construction in the Project Area. A 57,000 square-foot office building is expected to add taxable value to the 2007-08 and 2008-09 tax roll.

The Agency's receipt of tax increment during the past five fiscal years is shown on the table below. The initial County levy is first compared to the actual receipt of tax increment exclusive of supplemental revenues to determine collection trends. Actual receipts of tax increment for the period 2001-02 through 2004-05 have averaged 99.24% of the levy. Actual receipts vary from the levy because the County allocates unsecured values on the basis of actual revenue received, and because the County adjusts revenues for roll corrections.

**Table 3**  
**REDEVELOPMENT AGENCY OF THE CITY OF ROSEVILLE**  
**Roseville Redevelopment Project Area**

**Historical Analysis Of Tax Revenues**

<u>Category</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>
Tax Increment	\$2,246,547	\$2,777,288	\$3,436,487	\$4,046,050	\$4,625,481
Unitary Revenue	1,375	6,787	5,814	7,703	7,673
Supplemental Taxes	<u>451,149</u>	<u>187,841</u>	<u>388,393</u>	<u>355,347</u>	<u>273,898</u>
Total Tax Increment (1)	2,699,071	2,971,916	3,830,694	4,409,100	4,907,052
<u>Adjustments to Tax Revenue:</u>					
Property Tax Administration Fees	41,234	41,357	70,060	77,516	89,530
Section 33676 Allocations	116,286	142,446	155,831	168,583	182,498
<b>Housing Tax Revenues (2)</b>	<b>516,557</b>	<b>565,894</b>	<b>734,973</b>	<b>848,103</b>	<b>944,911</b>
<b>Tax Revenues (3)</b>	<b>\$2,024,994</b>	<b>\$2,222,219</b>	<b>\$2,869,830</b>	<b>\$3,314,898</b>	<b>\$3,690,113</b>

(1) Reflects actual receipts based on the records of the Agency.

(2) Based on 20 percent of the total tax increment revenue net of Section 33676 Allocations. Equals Housing Tax Revenues pledged to the Taxable Housing Bonds.

(3) Equals Tax Revenues pledged to the Non-Housing Bonds.

Source: Fraser & Associates.

### Historical Analysis of Tax Receipts <sup>(1)</sup>

Fiscal Year	Levy per County <sup>(2)</sup>	Tax Increment Receipts Less Supplementals and Sec. 33676 Allocations	% of Levy Received <sup>(3)</sup>	Supplementals	Total Tax Increment Receipts	% of Levy Received
2001-02	\$2,143,903	\$2,131,636	99.43%	\$451,149	\$2,582,785	120.47%
2002-03	2,648,512	2,641,630	99.74	187,841	2,829,470	106.83
2003-04	3,310,483	3,286,470	99.27	388,393	3,674,863	111.01
2004-05	3,935,978	3,885,170	98.71	355,347	4,240,517	107.74
2005-06	4,482,324	4,450,659	99.29	273,898	4,724,556	105.40
<b>Average Receipts to Levy <sup>(3)</sup></b>			<b>99.24%</b>			<b>109.27</b>

<sup>(1)</sup> Receipts per Agency records prior to reduction for property tax administration fees.

<sup>(2)</sup> Initial levy reported by Placer County.

<sup>(3)</sup> Tax receipts collected pursuant to Teeter Plan. See "Allocation of Taxes" below. <sup>(4)</sup> Computed for the period 2001-02 through 2004-05.

Source: *Fraser & Associates*.

The table below shows assessed value as well as estimated gross and net tax increment revenue in the Project Area for fiscal year 2006-07.

**Table 4**  
**REDEVELOPMENT AGENCY OF THE CITY OF ROSEVILLE**  
**Roseville Redevelopment Project Area**  
**Tax Increment Revenue Estimate – Fiscal Year 2006-07 <sup>(1)</sup>**

<u>Local Secured</u>	
Land	\$197,797,581
Improvements	435,501,545
Personal Property	<u>5,356,062</u>
Gross Local Secured	638,655,188
Exempt	<u>(11,273,715)</u>
Net Local Secured	627,381,473
State Assessed	8,966,398
<u>Unsecured</u>	
Land	24,230
Improvements	13,844,900
Personal Property	<u>44,298,975</u>
Total Unsecured	58,168,105
Exempt	<u>(4,669,891)</u>
Net Unsecured	<u>53,498,214</u>
<u>Total Value</u>	689,846,085
Base Year Taxable Value	<u>(139,424,556)</u>
Incremental Taxable Value	550,421,529
Tax Increment	5,504,215
Unitary Tax Increment	<u>9,155</u>
Total Tax Increment Revenue	5,513,370
<u>Adjustments to Tax Increment Revenue:</u>	
Property Tax Administration Fees (2)	104,122
Section 33676 Allocations (3)	196,686
Housing Tax Revenues (4)	<u>1,063,337</u>
Tax Revenues (5)	4,149,226
Taxing Sharing Payments (Subordinated)(6)	<u>(1,599,480)</u>
Net Surplus Tax Increment Revenue	2,549,746

<sup>(1)</sup> Based on taxable values per Placer County Auditor-Controller.

<sup>(2)</sup> Estimate based on 1.89% of tax increment.

<sup>(3)</sup> Additional allocations to various taxing entities pursuant to former Section 33676 of the Redevelopment Law.

<sup>(4)</sup> Based on 20% of total tax increment revenue net of Section 33676 allocations. Equals Housing Tax Revenues pledged to the Taxable Housing Bonds.

<sup>(5)</sup> Equals Tax Revenues pledged to the Non-Housing Bonds.

<sup>(6)</sup> Payments per agreements with Placer County and school districts, subordinate to the Bonds.

Source: Fraser & Associates.

## Major Property Owners

The following table lists the ten largest payers of secured property taxes in the Project Area for fiscal year 2006-07. The aggregate assessed value of the top ten secured property taxpayers accounted for approximately 60% of the incremental assessed value of the Project Area for 2006-07. The largest property owner, Donahue Schriber Realty Group LP, owns the Creekside Towncenter, which contains 368,000 square feet of retail space. Major tenants include Barnes & Noble, the Nordstrom Rack and Old Navy, along with numerous restaurants and other retail uses. The second largest property owner, Kobra Preserve owns the Preserve at Creekside, a 336 unit apartment complex. The third and fourth largest owners respectively are Rreef America REIT II Corporation, an entity which owns three office buildings in the Creekside area, and Evergreen Britannia, which owns a portion of the Ridge at Creekside shopping center. It includes over 200,000 square feet of development, including a Macy's Home Improvement store, REI and the Expo Design Center (owned by Home Depot USA). Evergreen Britannia also owns two office buildings in the Creekside area.

**Table 5**  
**REDEVELOPMENT AGENCY OF THE CITY OF ROSEVILLE**  
**Roseville Redevelopment Project Area**  
**Ten Largest Secured Taxpayers by Assessed Valuation (1)**  
**Fiscal Year 2006-07**

Assessee	Type of Use	2006-07 Secured	2006-07 Unsecured	2006-07 Total A.V.	% of Incremental Value <sup>(2)</sup>
Donahue Schriber Realty Group LP	Shopping Center	\$107,740,000	\$0	\$107,740,000	19.57%
Kobra Preserve LLC	Apartment	49,183,870	0	49,183,870	8.94
Rreef America REIT II Corporation	Office	42,893,564	0	42,893,564	7.79
Evergreen Britannia Land Joint Venture	Shopping Center	42,505,810	0	42,505,810	7.72
John L. Sullivan Family Ltd. Partnership	Auto Dealer	21,809,085	0	21,809,085	3.96
W2005 & Fargo Hotels Realty	Hotels	17,838,572	0	17,838,572	3.24
Home Depot USA Inc	Retail	15,817,439	0	15,817,439	2.87
Roseville Motor Corporation	Auto Dealer	12,640,860	484,550	13,125,410	2.38
G&S Future Investment	Commercial	11,328,076	0	11,328,076	2.06
Ronald T. Vanderbeek, Et. Al.	Industrial	11,221,617	0	11,221,617	2.04
Total Ten Largest Valuation		\$332,978,893	\$484,550	\$333,463,443	60.58%

<sup>(1)</sup> Based on ownership of locally-assessed secured and unsecured property.

<sup>(2)</sup> Based on 2006-07 Project Area taxable value of \$689,846,085 and incremental value of \$550,421,529.

Source: Fraser & Associates.

## Appeals of Assessed Values

**No Significant Current Appeals.** According to the County of Placer, there are currently no Proposition 8 appeals or Base Year appeals pending with respect to properties in the Project Area. Consequently, the projections shown in the table entitled "Projected Tax Revenues and Housing Tax Revenues" below do not incorporate any declines in assessed value due to appeals. However, assessment appeals filed and granted in future years could adversely impact the availability of Tax Revenues or Housing Tax Revenues to pay debt service on the respective Bonds. See the following paragraphs and "RISK FACTORS" herein.

**Proposition 8 Appeals.** Most of the appeals that might be filed in the Project Area would be based on Section 51 of the Revenue and Taxation Code, which requires that for each lien date the value of real property shall be the lesser of its base year value annually adjusted by the inflation factor pursuant to Article XIII A of the State Constitution or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value. Pursuant to California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. These market-driven appeals are known as Proposition 8 appeals. Placer County allocates refunds related to appeals to the Project Area on the basis of the Project Area's Proposition 8 apportionment factor applied to all refunds countywide (the Proposition 8 apportionment factor represents a project area's tax increment revenue in relation to total countywide property taxes). Because of the way the County allocates Proposition 8 appeals, refunds from appeals that occur outside of the Project Area could negatively affect tax increment received by the Agency, however, this effect has not been significant in the past. See "APPENDIX B - FISCAL CONSULTANT'S REPORT – Section D – Assessment Appeals".

Any reduction in the assessment ultimately granted as a Proposition 8 appeal applies to the year for which application is made and during which the written application was filed. These reductions are often temporary and are adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIII A. See also "RISK FACTORS – Litigation Regarding 2% Limitation."

**Base Year Appeals.** A second type of assessment appeal is called a Base Year appeal, where the property owners challenge the original (basis) value of their property. Appeals for reduction in the "base year" value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

## **Allocation of Taxes**

Secured taxes are due in two equal installments. Installments of taxes levied upon secured property become delinquent on December 10 and April 10. Taxes on unsecured property are due March 1 and become delinquent August 31.

The County Auditor-Controller is responsible for the aggregation of the taxable values assigned by the Assessor as of the January 1st lien date for property within the boundaries of the Project Area. This results in the reported total current year Project Area taxable value and becomes the basis of determining tax increment revenues due to the Agency. Although adjustments to taxable values for property within the Project Area may occur throughout the fiscal year to reflect escaped assessments, roll corrections, etc., such adjustments are not assumed in the tax increment projection shown herein. The County disburses secured and utility tax increment revenue to all redevelopment agencies in five installments during the fiscal year. Supplemental tax roll revenue and homeowner's exemption revenue is distributed periodically during the fiscal year with the final reconciliation being remitted in September following the close of the fiscal year.

Placer County has implemented the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “**Teeter Plan**”), as provided for in Section 4701 et seq. of the California Revenue and Taxation Code (which allows each entity in the County to draw on the amount of secured property taxes levied on its behalf rather than the amount actually collected). The Agency participates in the Teeter Plan, therefore, the Agency's secured property tax revenues reflect total levies, rather than the actual amount collected. The application of the Teeter Plan could be terminated by the County Board of Supervisors and the Board of Supervisors may discontinue the procedure under the Teeter Plan with respect to any tax or assessment levying agency in the County if the rate of secured tax delinquency for that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured rolls in for that agency. In the event that the Teeter Plan or its application to the Agency is terminated, the amount of the levy of tax increment received by the Agency would depend upon the actual collections of the secured taxes within the Project Area. Unsecured taxes are not allocated under the Teeter Plan.

### **Limitations on Tax Revenues**

***Redevelopment Plan Limitations.*** The Redevelopment Law requires that the Redevelopment Plan contain certain limitations on the redevelopment activities of the Agency and related matters. Limitations that must be contained in the Redevelopment Plan include a limitation on the dollar amount of tax increment revenue that may be received by the Agency over the life of the Redevelopment Plan, and a limitation of total outstanding bonded indebtedness of the Agency. The Redevelopment Plan established a \$450 million limitation on the receipt of tax increment revenues. The limitation on bonded indebtedness of the Agency which can be outstanding at any one time may not exceed \$50 million. These limitations are referred to as the “Plan Limit.” The Agency has received approximately \$24.4 million in tax increment revenue for the Project Area through May 2006. After issuance of the Bonds, the total amount of outstanding bonded indebtedness will be \$36,405,000. The Redevelopment Plan allows tax increment revenues to be collected through October 18, 2040. For more information on Redevelopment Plan limitations, see "APPENDIX B – Fiscal Consultant's Report."

In the Indentures, the Agency covenants that it will manage its fiscal affairs in a manner which ensures that it will have sufficient Tax Revenues available under the Plan Limit in the amounts and at the times required to enable the Agency to pay the principal of and interest and premium (if any) on the outstanding Bonds and any outstanding Parity Debt when due and that the Agency will, not less frequently than annually, determine whether the aggregate amount of the principal of and interest on all Outstanding Bonds, including Outstanding Parity Debt, and Subordinate Debt coming due and payable, exceeds the maximum amount of Tax Revenues permitted under the Plan Limit to be allocated and paid to the Agency. Based on such calculation, the Agency is required to provide for the deposit of Tax Revenues into an escrow held by the Trustee and pledged to the payment of the Bonds in the event and to the extent it determines that remaining Debt Service payable on the Bonds, including any Parity Debt, and any Subordinate Debt, exceeds ninety-five percent (95%) of the amount of Tax Revenues then remaining to be allocated and paid to the Agency under the Plan Limit. The Agency shall apply amounts on deposit in such escrow solely to the purchase or redemption of Bonds.

**Compliance with Laws.** The Agency has covenanted in the Indentures to comply with all requirements of law to insure the allocation and payment to it of the Tax Revenues and Housing Tax Revenues, including without limitation the timely filing of any necessary statements of indebtedness with appropriate officials of the County.

**Contributions to ERAF.** In connection with its approval of the budget for the 1992-93, 1993-94, 1994-95 and, most recently, 2002-03, 2003-04 and 2004-05 fiscal years, the State Legislature enacted legislation which, among other things, reallocated funds from redevelopment agencies to school districts by shifting a portion of each agency's tax increment, net of amounts due to other taxing agencies, to school districts for such fiscal years for deposit in the Education Revenue Augmentation Fund ("**ERAF**"). The Agency is unable to predict whether this practice will continue in the future and if so, the effect on future Tax Revenues. See "RISK FACTORS – State Budget."

### **Tax Sharing Agreements and Subordinate Obligation to City**

**Tax-Sharing Agreements.** The Agency has entered into several tax sharing agreements pursuant to Health and Safety Code Section 33401; as amended, in each case providing for the payment by the Agency of tax increment revenues pursuant to Section 33401 of the Law. These agreements are as follows: (i) the Agreement dated October 4, 1989, between the Agency and the County of Placer pursuant to Health and Safety Code Section 33401; (ii) the Agreement dated January 17, 1990, between the Agency, the City and the Eureka Union School District pursuant to Health and Safety Code Sections 33401 and 33445; (iii) the Agreement dated January 17, 1990, between the Agency, the City and the Placer County Office of Education pursuant to Health and Safety Code Section 33401; (iv) the Agreement dated January 17, 1990, between the Agency, the City and the Roseville City School District pursuant to Health and Safety Code Section 33401; (v) the Agreement dated January 17, 1990, between the Agency, the City and the Roseville Joint Union High School District pursuant to Health and Safety Code Section 33401; and (vi) the Agreement dated January 17, 1990, between the Agency, the City, and the Sierra Joint Community College District. Payment terms under these agreements vary, and in all cases the Agency's obligations to make such payments is subordinate to the Agency's obligation to repay the Bonds from Tax Revenues or Housing Tax Revenues, as applicable. See "APPENDIX A - Audited Financial Statements of the Agency for the Fiscal Year Ended June 30, 2005."

**Statutory Tax Sharing.** In 1993, the California Legislature enacted Assembly Bill 1290 ("**AB 1290**") which contained a provision which limits the period of time for incurring and repaying of loans, advances and indebtedness which are payable from tax increment revenues. As a result of this legislation, beginning in 2010-11, the Agency will be required to make statutory payments to those affected taxing entities that do not have a negotiated tax sharing agreement. These payments will be required because the time limitation for the incurrence of debt was deleted pursuant to Ordinance No. 4211. Payments will only be due from increases in assessed value above levels in 2009-10 (referred to as the AB 1290 AV Base), when the debt incurrence limit would have been reached for the Project Area. Tax sharing payments will be owed only to those taxing entities that do not have a pass through agreement for the Project Area, as described above and in the Fiscal Consultant's Report. The payments are based on a formula shown in the Fiscal Consultant's Report in Appendix A.

**Outstanding Subordinate Obligation to City.** The City has loaned the Agency moneys for various improvement projects over the past 16 years, and the City reports that as of June 30, 2006, such loan was outstanding in the amount of approximately \$3.5 million. The City and the Agency have agreed that the repayment of such amount due, as well as any moneys

loaned to the Agency in the future, are repayable from tax increment revenues of the Agency on a subordinate basis to the Agency's obligation for payment of debt service on the Bonds and any Parity Debt. The Agency has in the past repaid amounts to the City annually but not according to a fixed schedule. Upon issuance of the Bonds, the City and the Agency anticipate repayment according to a fixed annual schedule extending to 2039. The Agency does not currently anticipate borrowing additional moneys from the City.

### **Agency Bonded Indebtedness**

Other than the \$13,460,000 outstanding amount of 2002 Bonds, the Agency currently has no outstanding bonded indebtedness. See Appendix A hereto for financial information relating to the Agency. See also Table 6 below.

### **Low and Moderate Income Housing**

Sections 33334.2 and 33334.3 of the Redevelopment Law require the Agency to set aside not less than 20% of tax increment revenues allocated to the Agency in a low and moderate income housing fund (the "**Housing Fund**") to be expended for authorized low and moderate income housing purposes (the "**Housing Set-Aside Amount**"). Amounts on deposit in the Housing Fund may also be applied to pay debt service on bonds, loans or advances used to provide financing for such low and moderate income housing purposes. Under the Redevelopment Law, the Housing Set-Aside Amount could be reduced or eliminated if the Agency finds that (1) no need exists in the community to improve or increase the supply of low and moderate income housing, (2) that some stated percentage less than 20% of the tax increment is sufficient to meet the housing need or (3) that other substantial efforts, including the obligation of funds from certain local, state or federal sources for low and moderate income housing, or equivalent impact are being provided for in the community.

### **Projected Tax Revenues and Housing Tax Revenues**

The projections of Tax Revenues and Housing Tax Revenues for the Project Area, as prepared by Fraser & Associates, as Fiscal Consultant, are set forth in Table 5 of the Fiscal Consultant's Report and summarized below. The projections commence with the reported values for Fiscal Year 2006-07, as shown in the table below. For purposes of the projections shown on the table below, the Project Area Tax Revenues have been projected based upon an assumed growth in assessed valuation in the Project Area of 2% per annum, compounded annually. The table also assumes increases in assessed valuation in fiscal year 2007-08 and 2008-09 due to new development that is currently under construction (see "The Project Area" above). See also "APPENDIX B – Fiscal Consultant's Report". ***No assurance can be given that these projections will be met.*** See "RISK FACTORS – Reduction in Taxable Value."

**Table 6**  
**REDEVELOPMENT AGENCY OF THE CITY OF ROSEVILLE**  
**Roseville Redevelopment Project**  
**Projected Tax Revenues and Non-Housing Coverage**  
**(000's Omitted)**

Bond Year Ending Sept. 1	Tax Increment	Projected Non-Housing Tax Revenues <sup>(1)</sup>	2002 Bonds Debt Service	Non- Housing Bonds Debt Service	Total Non- Housing Bonds and 2002 Bonds Debt Service <sup>(2)</sup>	Non- Housing Net Debt Service Coverage Ratio
2007	\$5,513	\$4,149	\$927	\$901	\$1,829	227%
2008	5,684	4,271	928	897	1,825	234
2009	5,857	4,394	926	903	1,829	240
2010	5,991	4,487	924	903	1,826	246
2011	6,128	4,579	926	903	1,829	250
2012	6,267	4,673	927	902	1,830	255
2013	6,410	4,769	928	902	1,830	261
2014	6,555	4,866	927	901	1,828	266
2015	6,703	4,966	926	904	1,830	271
2016	6,854	5,067	928	897	1,825	278
2017	7,008	5,171	924	905	1,829	283
2018	7,165	5,277	928	901	1,829	288
2019	7,325	5,384	927	903	1,829	294
2020	7,488	5,494	924	904	1,827	301
2021	7,655	5,604	929	899	1,828	307
2022	7,825	5,715	929	899	1,827	313
2023	7,999	5,829	927	898	1,825	319
2024	8,175	5,946	923	902	1,825	326
2025	8,356	6,064	924	905	1,829	332
2026	8,540	6,185	923	907	1,830	338
2027	8,728	6,308	925	903	1,828	345
2028	8,919	6,434	926	904	1,830	352
2029	9,114	6,563	925	900	1,825	360
2030	9,314	6,693	927	902	1,829	366
2031	9,517	6,827	928	897	1,825	374
2032	9,724	6,963	926	903	1,828	381
2033	9,935	7,102	147	1,682	1,829	388
2034	10,151	7,244		1,826	1,826	397
2035	10,371	7,388		1,826	1,826	405
2036	10,595	7,536		1,827	1,827	412
2037	10,824	7,686		1,830	1,830	420
2038	11,057	7,839		1,829	1,829	429
2039	11,295	7,996		1,829	1,829	437
2040	11,538	8,155		1,829	1,829	446

<sup>(1)</sup> Tax Increment Consultant (Fraser & Associates) projections.

<sup>(2)</sup> Total Debt Service of the outstanding Sr. 2002 and the 2006A and 2006A-T bond issuance.

**Table 7**  
**REDEVELOPMENT AGENCY OF THE CITY OF ROSEVILLE**  
**Roseville Redevelopment Project**  
**Projected Housing Tax Revenues and Housing Coverage**  
**(000's Omitted)**

Bond Year Ending Sept. 1	Tax Increment	Projected Housing Tax Revenues <sup>(1)</sup>	Taxable Housing Bonds Debt Service	Housing Debt Service Coverage Ratio
2007	\$5,513	\$1,063	448	237%
2008	5,684	1,094	449	244
2009	5,857	1,126	445	253
2010	5,991	1,150	447	257
2011	6,128	1,174	448	262
2012	6,267	1,199	448	267
2013	6,410	1,224	449	273
2014	6,555	1,250	449	278
2015	6,703	1,276	449	284
2016	6,854	1,303	448	291
2017	7,008	1,331	446	298
2018	7,165	1,358	445	305
2019	7,325	1,387	448	309
2020	7,488	1,416	446	318
2021	7,655	1,445	448	322
2022	7,825	1,476	445	332
2023	7,999	1,506	446	337
2024	8,175	1,538	447	344
2025	8,356	1,570	447	351
2026	8,540	1,603	447	359
2027	8,728	1,636	446	367
2028	8,919	1,670	450	371
2029	9,114	1,705	447	381
2030	9,314	1,740	449	388
2031	9,517	1,776	450	395
2032	9,724	1,813	450	403
2033	9,935	1,850	448	413
2034	10,151	1,889	446	423
2035	10,371	1,928	449	430
2036	10,595	1,967	449	438
2037	10,824	2,008	449	447
2038	11,057	2,049	448	458
2039	11,295	2,092	450	465
2040	11,538	2,135	445	479

<sup>(1)</sup> Tax Increment Consultant (Fraser & Associates) projections.

## **RISK FACTORS**

*The following information should be considered by prospective investors in evaluating the Bonds. However, the following does not purport to be an exhaustive listing of risks and other considerations which may be relevant to investing in the Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.*

### **Assumptions and Projections**

To estimate the revenues available to pay debt service on the Bonds, the Fiscal Consultant has made certain assumptions with regard to the assessed valuation in the Project Area, future tax rates and percentage of taxes collected. The Agency believes these assumptions to be reasonable, but to the extent that the assessed valuation, the tax rates or the percentage of taxes collected are less than the Agency's assumptions, the Tax Revenues or Housing Tax Revenues available to pay debt service on the Bonds will, in all likelihood, be less than those projected.

### **Reduction in Taxable Value**

Tax Revenues and Housing Tax Revenues allocated to the Agency are determined by the amount of incremental taxable value in the Project Area and the current rate or rates at which property in the Project Area is taxed. The reduction of taxable values of property caused by economic factors beyond the Agency's control, such as a relocation out of the Project Area by one or more major property owners, or the transfer, pursuant to California Revenue and Taxation Code Section 68, of a lower assessed valuation to property within the Project Area by a person displaced by eminent domain or similar proceedings, or the discovery of hazardous substances on a property within the Project Area (see "Hazardous Substances," below) or the complete or partial destruction of such property caused by, among other eventualities, an earthquake (see "Natural Disasters" below) or other natural disaster, or limitations on taxes adopted by the state legislature or the electorate could cause a reduction in the Tax Revenues and Housing Tax Revenues securing the Bonds. Property owners may also appeal to the County Assessor for a reduction of their assessed valuations or the County Assessor could order a blanket reduction in assessed valuations based on then current economic conditions. Such a reduction of assessed valuations and the resulting decline in Tax Revenues and Housing Tax Revenues or the resulting property tax refunds could have an adverse effect on the Agency's ability to make timely payments of principal of and interest on the Bonds. See "THE PROJECT AREA - Appeals of Assessed Values."

The County's current policy is to allocate 100% of the Project Area's secured tax increment revenues to the Agency with no offset for taxpayer delinquencies. However, the County could change this policy in the future and begin making deductions for delinquencies. In that event, substantial delinquencies in the payment of property taxes could impair the timely receipt by the Agency of Tax Revenues and Housing Tax Revenues. Tax increment remitted to the Agency is adjusted for taxable value adjustments, refunds due to successful assessment appeals and tax roll corrections.

### **Reduction in Inflationary Rate**

As described in greater detail below, Article XIII A of the California Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year,

or may be reduced to reflect a reduction in the consumer price index or comparable local data. Such measure is computed on a calendar year basis. Because Article XIII A limits inflationary assessed value adjustments to the lesser of the actual inflationary rate or 2%, there have been years in which the assessed values were adjusted by actual inflationary rates, which were less than 2%. Since Article XIII A was approved, the annual adjustment for inflation has fallen below the 2% limitation five times: in fiscal year 1983-84, 1%; in fiscal year 1995-96, 1.19%; in fiscal year 1996-97, 1.11%; in fiscal year 1999-00, 1.85%; and in fiscal year 2004-05, 1.867%. The Agency is unable to predict if any adjustments to the full cash value base of real property within the Project Area, whether an increase or a reduction, will be realized in the future.

### **Levy and Collection**

The Agency does not have any independent power to levy and collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the Tax Revenues and Housing Tax Revenues, and accordingly, could have an adverse impact on the ability of the Agency to repay the Bonds. Likewise, delinquencies in the payment of property taxes could have an adverse effect on the Agency's ability to make timely debt service payments. See "THE AGENCY AND THE PROJECT AREA – ALLOCATION OF TAXES" herein.

### **Parity Debt**

As described in "SECURITY FOR THE BONDS – Parity Debt and Subordinate Debt," the Agency may issue or incur obligations payable from Tax Revenues on a parity with its pledge of Tax Revenues to payment of debt service on the Bonds. The existence of and the potential for such obligations increases the risks associated with the Agency's payment of debt service on the Bonds in the event of a decrease in the Agency's collection of Tax Revenues and Housing Tax Revenues.

### **Bankruptcy Risks**

The enforceability of the rights and remedies of the owners of the Bonds and the obligations of the Agency may become subject to the following: the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equitable principles which may limit the specific enforcement under state law of certain remedies: the exercise by the United States of America of the powers delegated to it by the federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations of the police power inherent in the sovereignty of the State of California and its governmental bodies in the interest of servicing a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation, or modification of their rights.

### **State Budget; Educational Revenue Augmentation Fund Shift**

The State of California faced budget issues for certain past fiscal years. In connection with its approval of former budgets, the State Legislature enacted legislation, that among other things, reallocated a portion of funds from redevelopment agencies to school districts by shifting each agency's tax increment, net of amounts due to other taxing agencies, to school districts ("ERAF" shifts) and requiring redevelopment agencies statewide to shift \$75 million of tax increment

revenues to ERAF in 2002-03, \$135 million in 2003-04 and \$250 million for 2004-05 and 2005-06. The shift to ERAF offset the need for a similar amount of state aid to education. Half of the shift was calculated on the basis of the gross tax increment of a project area and the other half on net revenues after tax sharing payments. Pursuant to Senate Bill 1096, the ERAF obligation is subordinate to the payment of the Bonds. The Agency's current and past ERAF contribution is as follows:

<b>Fiscal Year</b>	<b>Amount</b>
2002-03	\$46,838
2003-04	128,011
2004-05	228,713
2005-06	283,664

The State budget for Fiscal Year 2006-07 does not require an ERAF transfer of tax increment revenues by redevelopment agencies. Although the State's voters approved a constitutional amendment on the November 2004 ballot (the "**Local Government Initiative**"), which purports to prohibit any further transfers of non-education local government property taxes for the benefit of the State, the Local Government Initiative does not purport to change existing law with respect to the State's ability to transfer redevelopment agencies' property tax revenues.

The Agency cannot predict whether the State Legislature will enact legislation impacting future Tax Revenues. Given the level of the State's budget deficit problems, it is possible that tax increment available for payment of the Bonds may be reduced in the future by actions of the State Legislature.

Information about the State budget and State spending is available at various State-maintained websites. Text of the budget may be found at the website of the Department of Finance, [www.dof.ca.gov](http://www.dof.ca.gov), under the heading "California Budget." An impartial analysis of the budget is posted by the Office of the Legislative Analyst at [www.lao.ca.gov](http://www.lao.ca.gov). In addition, various State of California official statements for its various debt obligations, many of which contain a summary of the current and past State budgets, may be found at the website of the State Treasurer, [www.treasurer.ca.gov](http://www.treasurer.ca.gov). All of such websites are provided for general informational purposes only and the material on such sites is in no way incorporated into this Official Statement.

### **Assessment Appeals**

Property taxable values may be reduced as a result of a successful appeal of the taxable value of property determined by the County Assessor. An appeal may result in a reduction to the County Assessor's original taxable value and a tax refund to the applicant property owner. An assessee may contest either (i) the original determination of the "base assessment value" of a parcel (i.e., the value assigned after a change of ownership or completion of new construction), or (ii) the "current assessment value" (i.e., the value as determined by the County Assessor, which may be no more than the base assessment value plus the compounded 2% annual inflation factor) when specified factors have caused the market value of the parcel to drop below current assessment value.

At the time of reassessment, after a change of ownership or completion of new construction, the assessee may appeal the base assessment value of the property. Under an appeal of a base assessment value, the assessee appeals the actual underlying market value of the sales transaction or the recently completed improvement. A successful appeal of the base assessment value of a parcel has significant future revenue impacts, because a reduced base year assessment will reduce the compounded future value of the property prospectively. Except

for the two percent inflation factor, the value of the property cannot be increased until a change in ownership occurs or additional improvements are added.

Property owners may also appeal the value of property pursuant to Proposition 8. Proposition 8, approved in 1978, provides for the assessment of real property at the lesser of its originally determined (base year) full cash value compounded annually by the inflation factor, or its full cash value as of the lien date, taking into account reductions in value due to damage, destruction, obsolescence or other factors causing a decline in market value. Reductions based on Proposition 8 do not establish new base year values, and the property may be reassessed the following lien date up to the lower of the then-current fair market value or the factored base year value.

### **Statement of Indebtedness**

Under Redevelopment Law, the Agency must file with the County a statement of indebtedness for the Project Area by October 1, each year. The statement of indebtedness controls the amount of tax increment revenue that will be paid to the Agency in each fiscal year. See "LIMITATIONS ON TAX REVENUES AND HOUSING TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS—Property Tax Collection Procedures—Filing of Statement of Indebtedness." In the event the Agency were to fail to file an annual statement of indebtedness, tax increment revenue available to the Agency could be adversely affected.

### **Earthquake Risk**

Earthquake faults exist in many parts of Northern California, including in areas near to the Project Area. Most new construction is required to be built in accordance with the Uniform Building Code which contains standards designed to minimize structural damage caused by seismic events however, the occurrence of severe seismic activity affecting the Project Area could result in substantial damage to property located in the Project Area, and could lead to successful appeals for reduction of assessed values of such property. Such a reduction of assessed valuations could result in a reduction of the Tax Revenues and Housing Tax Revenues that secure the Bonds.

### **Hazardous Substances**

An additional environmental condition that may result in the reduction in the assessed value of property would be the discovery of a hazardous substance that would limit the beneficial use of taxable property within the Project Area. In general, the owners and operators of a property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The owner or operator may be required to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the property within the Project Area be affected by a hazardous substance, could be to reduce the marketability and value of the property by the costs of remedying the condition and/or other amounts.

## **Secondary Market**

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

## **Loss of Tax Exemption**

As discussed under the caption "TAX MATTERS" herein, interest on the Series 2006A Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Series 2006A Bonds were issued as a result of future acts or omissions of the Agency in violation of its covenants contained in the Indenture. Should such an event of taxability occur, the Series 2006A Bonds are not subject to special redemption or any increase in interest rate and may remain outstanding until maturity.

## **LIMITATIONS ON TAX REVENUES AND HOUSING TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS**

### **Property Tax Limitations - Article XIII A**

California voters, on June 6, 1978, approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the California Constitution. This amendment, which added Article XIII A to the California Constitution, among other things, affects the valuation of real property for the purpose of taxation in that it defines the full cash value of property 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 any reduction in the consumer price index or comparable local data, or any reduction in the event of declining property value caused by damage, destruction or other factors. The amendment further limits the amount of any ad valorem tax on real property to 1% of the full cash value except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978. In addition, an amendment to Article XIII was adopted in June 1986 by initiative which exempts any bonded indebtedness approved by two-thirds of the votes cast by voters for the acquisition or improvement of real property from the 1 percent limitation.

In the general election held November 4, 1986, voters of the State of California approved two measures, Propositions 58 and 60, which further amend Article XIII A. Proposition 58 amends Article XIII A to provide that the terms "purchased" and "change of ownership," for purposes of determining full cash value of property under Article XIII A, do not include the purchase or transfer of (1) real property between spouses and (2) the principal residence and the first \$1,000,000 of other property between parents and children.

Proposition 60 amends Article XIII A to permit the Legislature to allow persons over age 55 who sell their residence to buy or build another of equal or lesser value within two years in the same county, to transfer the old residence's assessed value to the new residence. Pursuant

to Proposition 60, the Legislature has enacted legislation permitting counties to implement the provisions of Proposition 60.

In the October 1990 election, the voters approved additional amendments to Article XIII A permitting the State Legislature to extend the replacement dwelling provisions applicable to persons over 55 to severely disabled homeowners for replacement dwellings purchased or newly constructed on or after June 5, 1990, and to exclude from the definition of "new construction" triggering reassessment improvements to certain dwellings for the purpose of making the dwelling more accessible to severely disabled persons. In the November 1990 election, the voters approved the amendment of Article XIII A to permit the State Legislature to exclude from the definition of "new construction" seismic retrofitting improvements or improvements utilizing earthquake hazard mitigation technologies constructed or installed in existing buildings after November 6, 1990.

In March 1996, the voters approved a further amendment to Article XIII A which extended the above-described parent-child reassessment exemption to transfers from grandparents to grandchildren under certain circumstances.

Proposition 1 was adopted by initiative in the November 1998 general election. Proposition 1 further amends Article XIII A to allow the repair or replacement of environmentally contaminated property or structures without increasing the tax valuation of the original or replacement property.

In November 2000, the voters approved Proposition 39 which provided an alternative method of seeking voter approval for bonded indebtedness for school facilities.

### **Challenges to Article XIII A**

There have been many challenges to Article XIII A of the California Constitution. In the early 1990's, the United States Supreme Court heard the appeal in *Nordlinger v. Hahn*, a challenge relating to residential property. Based upon the facts presented in *Nordlinger*, the United States Supreme Court held that the method of property tax assessment under Article XIII A did not violate the federal Constitution. The Agency cannot predict whether there will be any future challenges to California's present system of property tax assessment and cannot evaluate the ultimate effect on the Agency's receipt of tax increment revenues should a future decision hold unconstitutional the method of assessing property.

### **Implementing Legislation**

Legislation enacted by the California Legislature to implement Article XIII A (Statutes of 1978, Chapter 292, as amended) provides that, notwithstanding any other law, local agencies may not levy any property tax, except to pay debt service on indebtedness approved by the voters prior to July 1, 1978, and that each county will levy the maximum tax permitted by Article XIII A.

The apportionment of property taxes in fiscal years after 1978/79 has been revised pursuant to Statutes of 1979, Chapter 282 which provides relief funds from State moneys beginning in fiscal year 1978/79 and is designed to provide a permanent system for sharing State taxes and budget surplus funds with local agencies. Under Chapter 282, cities and counties receive about one-third more of the remaining property tax revenues collected under Proposition 13 instead of direct State aid. School districts receive a correspondingly reduced

amount of property taxes, but receive compensation directly from the State and are given additional relief.

Future assessed valuation growth allowed under Article XIII A (new construction, change of ownership, 2% annual value growth) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs except for certain utility property assessed by the State Board of Equalization which is allocated by a different method discussed herein.

## **Property Tax Collection Procedures**

**Classifications.** In California, property which is subject to ad valorem taxes is classified as "secured" or "unsecured". Secured and unsecured property are entered on separate parts of the assessment roll maintained by the county assessor. The secured classification includes property on which any property tax levied by the County becomes a lien on that property sufficient, in the opinion of the county assessor, to secure payment of the taxes. Every tax which becomes a lien on secured property has priority over all other liens on the secured property, regardless of the time of the creation of other liens. A tax levied on unsecured property does not become a lien against unsecured property, but may become a lien on certain other property owned by the taxpayer.

**Collections.** The method of collecting delinquent taxes is substantially different for the two classifications of property. The taxing authority has four ways of collecting unsecured property taxes in the absence of timely payment by the taxpayer: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the county recorder's office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of the personal property, improvements or possessory interests belonging or assessed to the assessee.

The exclusive means of enforcing the payment of delinquent taxes with respect to property on the secured roll is the sale of property securing the taxes to the State for the amount of taxes which are delinquent.

**Penalties.** A 10% penalty is added to delinquent taxes which have been levied with respect to property on the secured roll. In addition, property on the secured roll on which taxes are delinquent is declared in default on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1.5% per month to the time of redemption and a \$15 Redemption Fee. If taxes are unpaid for a period of five years or more, the property is recorded in a "Power to Sell" status and is subject to sale by the county tax collector. A 10% penalty also applies to the delinquent taxes on property on the unsecured roll, and further, an additional penalty of 1-1/2% per month accrues with respect to such taxes beginning the first day of the third month following the delinquency date.

**Delinquencies.** The valuation of property is determined as of January 1 each year and equal installments of taxes levied upon secured property become delinquent on the following December 10 and April 10. Taxes on unsecured property are due January 1. Unsecured taxes enrolled by July 31, if unpaid, are delinquent August 31 at 5:00 p.m. and are subject to penalty; unsecured taxes added to roll after July 31, if unpaid, are delinquent on the last day of the month succeeding the month of enrollment.

**Supplemental Assessments.** A bill enacted in 1983, SB 813 (Statutes of 1983, Chapter 498), provides for the supplemental assessment and taxation of property as of the occurrence of a change in ownership or completion of new construction. The statute may provide increased revenue to redevelopment agencies to the extent that supplemental assessments as a result of new construction or changes of ownership occur within the boundaries of redevelopment projects subsequent to the lien date. To the extent such supplemental assessments occur within the Project Area, Tax Revenues may increase.

**Tax Collection Fees.** SB 2557 (Chapter 466, Statutes of 1990) authorizes county auditors to determine property tax administration costs proportionately attributable to local jurisdictions and to submit invoices to the jurisdictions for such costs. Subsequent legislation specifically includes redevelopment agencies among the entities which are subject to a property tax administration charge. For 2006-07, the amount of such costs is estimated to be approximately \$104,000 for the Project Area. Such costs are deducted prior to a determination of Tax Revenues and Housing Tax Revenues which are pledged to repay the Bonds.

**Filing of Statement of Indebtedness.** Under the Redevelopment Law, the Agency must file with the County a statement of indebtedness for the Project Area by October 1 of each year. As described below, the statement of indebtedness controls the amount of tax increment revenue that will be paid to the Agency in each fiscal year. Each statement of indebtedness is filed on a form prescribed by the State Controller and specifies, among other things: (i) the total amount of principal and interest payable on all loans, advances or indebtedness (including the Bonds and all Parity Debt) (the "Debt"), both over the life of the Debt and for the current fiscal year, and (ii) the amount of "available revenue" as of the end of the previous fiscal year. "Available Revenue" is calculated by subtracting the total payments on Debt during the previous fiscal year from the total revenues (both tax increment revenues and other revenues) received during the previous fiscal year, plus any carry forward from the prior fiscal year.

The County may pay tax increment revenue to the Agency in any fiscal year only to the extent that the total remaining principal and interest on all Debt exceeds the amount of available revenues as shown on the statement of indebtedness. The statement of indebtedness constitutes prima facie evidence of the indebtedness of the Agency; however, the County may dispute the statement of indebtedness in certain cases within certain time limits established under State law. Any such dispute may be adjudicated in court, but only the amount of the Debt—not its validity (or any related contract or expenditures)—may be contested. No challenge can be made to payments to a trustee or fiscal agent in connection with a bond issue or payments to a public agency in connection with payments by that public agency with respect to a lease or a bond issue.

## **Unitary Property**

AB 2890 (Statutes of 1986, Chapter 1457) provides that, commencing with the fiscal year 1988/89, assessed value derived from State-assessed unitary property (consisting mostly of operational property owned by utility companies and herein defined as "Unitary Property") is to be allocated county-wide as follows: (i) each tax rate area will receive the same amount from each assessed utility received in the previous fiscal year unless the applicable county-wide values are insufficient to do so, in which case values will be allocated to each tax rate area on a pro-rata basis; and (ii) if values to be allocated are greater than in the previous fiscal year, each tax rate area will receive a pro-rata share of the increase from each assessed utility according to a specified formula. Additionally, the lien date on State-assessed property has been changed to January 1. Railroad property will continue to be assessed and revenues allocated to all tax rate areas where the railroad property is sited.

## **Appropriations Limitations - Article XIII B**

On November 6, 1979, California voters approved Proposition 4, the so-called Gann Initiative, which added Article XIII B to the California Constitution. The principal effect of Article XIII B is to limit the annual appropriations of the State and any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted for changes in the cost of living, population and services rendered by the government entity.

Effective November 30, 1980, the California Legislature added Section 33678 to the Redevelopment Law which provided that the allocation of taxes to a redevelopment agency for the purpose of paying principal of, or interest on, loans, advances, or indebtedness shall not be deemed the receipt by such agency of proceeds of taxes levied by or on behalf of the agency within the meaning of Article XIII B, nor shall such portion of taxes be deemed receipt of taxes by, or an appropriation subject to the limitation of, any other public body within the meaning or for the purpose of the Constitution and laws of the State, including Section 33678 of the Redevelopment Law.

## **Exclusion of Tax Revenues for General Obligation Bonds Debt Service**

An initiative to amend the California Constitution entitled "Property Tax Revenues Redevelopment Agencies" was approved by California voters at the November 8, 1988 general election. Under prior law, a redevelopment agency using tax increment revenue received additional property tax revenue whenever a local government increased its property tax rate to pay off its general obligation bonds. This initiative amended the California Constitution to allow the California Legislature to prohibit redevelopment agencies from receiving any of the property tax revenues raised by increased property tax rates imposed by local governments to make payments on their bonded indebtedness. The initiative only applies to tax rates levied to finance general obligation bonds approved by the voters on or after January 1, 1989. Any revenue reduction to redevelopment agencies would depend on the number and value of the general obligation bonds approved by voters in prior years, which tax rate will reduce due to increased valuation subject to the tax or the retirement of the indebtedness. The Agency did not experience a revenue loss as a result of the initiative.

## **Proposition 218**

On November 5, 1996, California voters approved Proposition 218—Voter Approval for Local Government Taxes - Limitation on Fees, Assessments, and Charges—Initiative Constitutional Amendment. Proposition 218 added Articles XIIC and XIID to the California Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges. Tax Revenues and Housing Tax Revenues securing the Bonds are derived from property taxes which are outside the scope of taxes, assessments and property-related fees and charges which were limited by Proposition 218.

## **AB 1290**

In 1993, the California Legislature enacted Assembly Bill 1290 ("**AB 1290**") which contained several significant changes in the Redevelopment Law. Among the changes made by AB 1290 was a provision which limits the period of time for incurring and repaying of loans, advances and indebtedness which are payable from tax increment revenues. In general, a redevelopment plan may terminate not more than 40 years following the date of original

adoption, and loans, advances and indebtedness may be repaid during a period extending not more than 10 years following the date of termination of the redevelopment plan. The Agency's Plan was amended to comply with AB 1290. See "THE AGENCY AND THE PROJECT AREA – Limitations on Tax Revenues." and "Tax Sharing Agreements and Subordinate Obligation to City."

### **Future Initiatives**

Article XIII A, Article XIII B and certain other propositions affecting property tax levies were each adopted as measures which qualified for the ballot pursuant to California's initiative process. From time to time other initiative measures could be adopted, further affecting Agency revenues or the Agency's ability to expend revenues.

### **CONTINUING DISCLOSURE**

The Agency has covenanted for the benefit of holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the Agency by not later than nine (9) months following the end of the Agency's fiscal year (which currently would be by March 31 each year based upon the June 30 end of the Agency's fiscal year), commencing March 31, 2007, with the report for the Fiscal Year 2005-06 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed by the Agency with each Nationally Recognized Municipal Securities Information Repository, and with the appropriate State information depository, if any. The notices of material events will be filed by the Agency with the Municipal Securities Rulemaking Board (and with the appropriate State information depository, if any). The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth in "APPENDIX F – Form of Continuing Disclosure Certificate." These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5). The Agency has had no instance in the previous five years in which it failed to comply in all material respects with any previous continuing disclosure obligation under the Rule.

### **NO LITIGATION**

There is no litigation pending or, to the Agency's knowledge, threatened in any way to restrain or enjoin the issuance, execution or delivery of the Bonds, to contest the validity of the Bonds, the Indentures or any proceedings of the Agency with respect thereto. In the opinion of the Agency and its counsel, there are no lawsuits or claims pending against the Agency which will materially affect the Agency's finances so as to impair the ability to pay principal of and interest on the Bonds when due.

### **RATINGS**

Moody's Investors Service ("**Moody's**") and Standard & Poor's Ratings Services, a Division of the McGraw-Hill Companies ("**S&P**"), will assign their municipal bond rating of "Aaa" and "AAA", respectively, to the Bonds with the understanding that upon delivery of such Bonds a Financial Guaranty Insurance Policy insuring the payment when due of the principal of and interest on the Bonds will be issued by the Insurer. Moody's and S&P have also assigned a respective underlying rating of "A3" and "A-" to the Bonds.

The ratings issued reflect only the view of such rating agencies, and any explanation of the significance of such ratings should be obtained from such rating agencies. There is no assurance that such ratings will be retained for any given period of time or that they will not be revised downward or withdrawn entirely by such rating agencies if, in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of any ratings obtained may have an adverse effect on the market price of the Bonds.

## TAX MATTERS

**Series 2006A Bonds.** 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 Series 2006A Bonds is excluded from gross income for federal income tax purposes, 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 Agency comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2006A Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The Agency 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 Series 2006A Bonds.

In the further opinion of Bond Counsel, interest on the Series 2006A Bonds is exempt from California personal income taxes.

**Series 2006A-T Bonds and Series H-T Bonds.** Interest on the Series 2006A-T Bonds and the Taxable Housing Bonds is not excluded from gross income for federal income tax purposes. However, interest on the Series 2006A-T Bonds and the Taxable Housing Bonds is exempt from California personal income taxes.

**General.** 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.

## CERTAIN LEGAL MATTERS

The legal opinion of Bond Counsel, approving the validity of the Bonds, in substantially the form attached hereto as Appendix D, will be made available to purchasers at the time of original delivery of the Bonds, and a copy thereof will be printed on each Bond. Bond Counsel will, as Disclosure Counsel, also deliver a disclosure letter to the Agency and the Underwriter regarding the contents of this Official Statement. Certain matters will be passed upon for the Agency by the City Attorney, as Agency Counsel and for the Underwriter by its counsel Sidley Austin LLP, Los Angeles, California..

## UNDERWRITING

The Bonds will be sold to the Authority for concurrent resale to Stone & Youngberg LLC, as Underwriter (the “**Underwriter**”) under two bond purchase agreements (the “Non-Housing Bonds Purchase Agreement” and the “Taxable Housing Bonds Purchase Agreement”), both among the Authority, the Agency and the Underwriter. The Underwriter is committed to purchase all of the Bonds if any are purchased.

Pursuant to the Non-Housing Bonds Purchase Agreement, the Underwriter will agree to purchase all of the Non-Housing Bonds for: as to the Series 2006A Bonds, an aggregate purchase price equal to \$13,342,251.80 (being the aggregate principal amount thereof, plus a net original issue premium of \$289,203.05, less an underwriter's discount of \$101,951.25), and as to the Series 2006A-T Bonds, an aggregate purchase price equal to \$3,259,541.25 (being the aggregate principal amount thereof, less an underwriter's discount of \$25,458.75).

Pursuant to the Taxable Housing Bonds Purchase Agreement, the Underwriter will agree to purchase all of the Taxable Housing Bonds for an aggregate purchase price equal to \$6,454,586.25 (being the aggregate principal amount thereof less an underwriter's discount of \$50,413.75).

The Bonds are offered for sale at the initial prices stated on the inside cover page of this Official Statement, which may be changed from time to time by the Underwriter. The Bonds may be offered and sold to certain dealers at prices lower than the public offering prices.

## FINANCIAL ADVISOR

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

## MISCELLANEOUS

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

This Official Statement is not to be construed as a contract or agreement between the Agency and the purchasers or owners of any of the Bonds.



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**APPENDIX A**

**AUDITED FINANCIAL STATEMENTS OF THE AGENCY  
FOR FISCAL YEAR ENDED JUNE 30, 2005**

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**ACCOUNTANCY CORPORATION**  
1931 San Miguel Drive - Suite 100  
Walnut Creek, California 94596  
(925) 930-0902 • FAX (925) 930-0135  
E-Mail: [maze@mazeassociates.com](mailto:maze@mazeassociates.com)  
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## INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

Board of Commissioners  
Housing and Community Development Agency of the City of Roseville  
Roseville, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Housing and Community Development Agency of the City of Roseville a component unit of the City of Roseville, California as of and for the year ended June 30, 2005, which collectively comprise the Agency's basic component unit financial statements as listed in the Table of Contents. These basic component unit financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the component unit financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the basic component unit financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly in all material respects, the respective financial position of the governmental activities and each major fund of the Agency as of June 30, 2005, and the respective changes in the financial position and the respective budgetary comparisons for the General and Low and Moderate Income Housing Set-Aside Funds for the year then ended, in conformity with generally accepted accounting principles in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 28, 2005 on our consideration of the Agency's internal control structure and on its compliance with laws and regulations.

Management's Discussion and Analysis is not a required part of the basic component unit financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the supplementary information and express no opinion on it.

October 28, 2005



A Professional Corporation

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The Agency has issued its financial statements in the format prescribed by the provisions of Government Accounting Standards Board Statement 34 (GASB 34), which requires the Agency to provide this overview of its financial activities for the fiscal year. Please read this overview in conjunction with your reading of the accompanying Basic Financial statements

As a component unit of the City of Roseville, the Agency's purpose is to eliminate blight in its project areas, all of which are in the City, while ensuring an adequate stock of low and moderate income housing. The Agency has the power to condemn properties for this purpose and to issue debt payable out of the incremental property taxes expected to be realized as a result of its redevelopment activities. The Agency may enter into development agreements with developers and others to further its purposes.

The Agency's operations are funded primarily by property tax increments generated by increased assessments in the redevelopment areas.

### **FISCAL 2005 FINANCIAL HIGHLIGHTS**

The Agency was affected in fiscal 2005 by a strong economy and the development of parcels within the Redevelopment Plan Project Area. Fiscal 2005 financial highlights include the following:

#### *Agency-wide.*

- The Agency's net assets totaled (\$5.8) million at June 30, 2005, all of which were Governmental assets.
- Agency-wide revenues included program revenues of \$1 million and general revenues and transfers of \$4.7 million for a total of \$4.8 million.
- Total Agency-wide expenses were \$3.1 million, of which \$.7 million were for Program administration, \$1.3 million were for pass-through payments, \$.1 million were for grants and \$1.0 million was for interest.

#### *Fund Level:*

- Governmental Fund balances remained at a surplus of \$.7 million in fiscal 2005, an increase of \$.4 million from the prior year's \$.3 million.
- Governmental Fund revenues increased to \$5.1 million in fiscal 2005 up \$.8 million from the prior year's \$4.3 million.
- Governmental Fund expenditures increased to \$4.4 million in fiscal 2005, up \$.1 million from fiscal 2004's level of \$4.3 million.

### **OVERVIEW OF THE BASIC FINANCIAL STATEMENTS**

This report is in two parts:

- 1) Management's Discussion and Analysis (this part),
- 2) The Basic Financial Statements, which include the Agency-wide and the Fund Financial Statements, along with the Notes to these financial statements.

## **The Basic Financial Statements**

The Basic Financial Statements comprise the Agency-wide Financial Statements and the Fund Financial Statements. These two sets of financial statements provide two different views of the Agency's financial activities and financial position—long-term and short-term.

The Agency-wide Financial Statements provide a longer-term view of the Agency's activities as a whole, and comprise the Statement of Net Assets and the Statement of Activities. The Statement of Net Assets provides information about the financial position of the Agency as a whole, including all its capital assets and long-term liabilities on the full accrual basis, similar to that used by corporations. The Statement of Activities provides information about all the Agency's revenues and all its expenses, also on the full accrual basis, with the emphasis on measuring net revenues or expenses of the Agency's Community development and planning program. The Statement of Activities explains in detail the change in Net Assets for the year.

The Fund Financial Statements report the Agency's operations in more detail than the Agency-wide statements and focus primarily on the short-term activities of the Agency's General Fund and Low and Moderate Income Housing Fund. The Fund Financial Statements measure only current revenues and expenditures, current assets, liabilities and fund balances; they exclude capital assets.

Major Funds account for the major financial activities of the Agency and are presented individually and are explained below. All Agency's funds are major funds.

Together, all these statements are now called the Basic Financial Statements; formerly they were called the general purpose financial statements.

### *The Agency-wide Financial Statements*

All of the Agency's basic services are considered to be governmental activities, including community development and planning. These services are supported by general Agency revenues such as property tax increment, and by program revenues such as grants.

Agency-wide financial statements are prepared on the accrual basis, which means they measure the flow of all economic resources of the Agency as a whole.

### *Fund Financial Statements*

Governmental Fund financial statements are prepared on the modified accrual basis, which means they measure only current financial resources and uses. Capital assets and other long-lived assets, along with long-term liabilities, are presented only in the Agency-wide financial statements.

The Fund financial statements provide detailed information about each of the Agency's most significant funds, called Major Funds. The concept of major funds, and the determination of which are major funds, was established by GASB Statement 34 and replaces the concept of combining like funds and presenting them in total. Instead, each Major Fund is presented individually.

The Agency has three Major Funds in 2005. These are the General Fund, the Low and Moderate Income Housing Fund, and the Debt Service Fund.

## FINANCIAL ACTIVITIES OF THE AGENCY AS A WHOLE

### Statement of Net Assets

The Agency's net assets increased \$1.7 million to a deficit of (\$5.8) million in 2005, up from a deficit of (\$7.5) million in 2004. This increase is the Change in Net Assets reflected in the Statement of Activities. The Agency's Net Assets at June 30, 2005 are discussed below:

- Cash and investments available for the Agency's operations were \$4.3 million, all of which was invested in accordance with applicable State statutes and City ordinance in the City of Roseville's cash and investment pool.
- Loans to qualifying individuals and groups for the purpose of assisting in eliminating blight were \$1.4 million. These loans were made under various programs and substantially all are long-term in nature.
- Capital assets were \$6.3 million. These assets include the land and building discussed in Note 5. Assets added during fiscal 2005 include the Historic District Streetscape in the amount of \$464,897, Riverside Streetscape in the amount of \$346,825 and the Parking Structure in the amount of \$34,961.
- The Agency's long-term liabilities decreased from \$14.0 million to \$13.7 million due to debt repayment of \$225,000.
- Other assets and liabilities included normal business receivables and payables.

A summary of net assets follows:

#### Statement of Net Assets (Dollars in thousands)

Assets:	2005	2004
Current and other assets	\$18,317	\$18,155
Capital assets	<u>6,324</u>	<u>5,222</u>
Total assets	<u>24,641</u>	<u>22,377</u>
<b>Liabilities:</b>		
Current and other liabilities	1,127	1,269
Noncurrent liabilities	<u>29,293</u>	<u>29,620</u>
Total liabilities	<u>30,420</u>	<u>30,889</u>
<b>Net Assets:</b>		
Invested in capital assets	3,727	3,215
Restricted for debt service	971	788
Restricted for low & moderate housing	3,064	2,275
Unrestricted	<u>(13,541)</u>	<u>(13,790)</u>
Total net assets (deficit)	<u>(\$5,779)</u>	<u>(\$7,512)</u>

## Statement of Activities

Of the Agency's fiscal 2005 revenue, \$4.6 million came from incremental property taxes. This amount compares with \$4.1 million in fiscal 2004, and increased as the result of successful redevelopment efforts by the Agency. Incremental property taxes increased \$ 5 million in fiscal 2005 as development continued in the Agency's area including the Creekside commercial development across from the Galleria, and property resales, adding to assessed valuations. Investment earnings accounted for \$.4 million of Agency revenues, an increase of \$.3 million from 2004.

Functional expenses include only current year expenses, which are discussed in detail below. It does not include capital outlays, which are now added to the Agency's capital assets. In fiscal 2005, the Agency added \$1.1 million in capital assets. The composition of fiscal 2005's capital asset additions is shown in detail at Note 5.

The Agency transferred \$.3 million to the City of Roseville for indirect costs and to match HOME grant funding. Interest on long term debt remained at \$1.0 million.

The Statement of Activities presents program revenues and expenses and general revenues in detail. All these are elements in the Change in Net Assets for the year. The Statement of Activities shows the net cost of each of the Agency's programs—Community development and planning, and interest. Net cost is defined as total program cost less the revenues generated by those specific activities. In the Agency's case, program revenues of \$.1 million was not enough to offset Community development and planning, and debt service interest costs of \$3.0 million due to the fact that the Agency's main source of revenues is property tax increment which is a general revenue.

A summary of the statement of activities follows:

**Statement of Activities**  
(Dollars in Thousands)

<b>Revenues:</b>	<b>2005</b>	<b>2004</b>
<b>General Revenues</b>		
Taxes	\$4,559	\$4,111
Interest earnings	355	115
Miscellaneous	78	45
Capital Grants and Contributions	<u>48</u>	<u>78</u>
<b>Total revenues</b>	<b><u>5,040</u></b>	<b><u>4,349</u></b>
 <b>Expenses:</b>		
Community Development	2,020	1,844
Interest on Long Term Debt	<u>1,021</u>	<u>996</u>
<b>Total expenses</b>	<b><u>3,041</u></b>	<b><u>2,840</u></b>
Net Program expense	<u>1,999</u>	<u>1,509</u>
Transfers (net)	<u>(266)</u>	<u>(103)</u>
Change in net assets	<u>1,733</u>	<u>1,407</u>
Net assets (deficit) beginning	<u>(7,512)</u>	<u>(8,919)</u>
Net assets(deficit) ending	<b><u>\$(5,779)</u></b>	<b><u>\$(7,512)</u></b>

**Fund Financial Statements**

At June 30, 2005, the Agency's funds reported combined fund surplus of \$.7 million, an increase of \$.4 million from 2004. The General Fund balance increased \$.2 million, the Low and Moderate Income Housing Fund balance increased \$.8 million and the Debt Service Fund decreased by \$.6 million.

Revenues at the fund level increased \$.8 million this year to a new total of \$5.1 million, which was primarily from tax increment in the General Fund.

Expenditures increased \$.1 million this year to \$4.4 million. Expenditures of the General Fund were \$3.4 million, Low and Moderate Income Housing Fund expenditures were \$.1 million, and the Debt Service Fund expenditures were \$.9 million.

## *Analyses of Major Funds*

### General Fund

The General Fund accounts for monies received from tax increment funds for major capital projects in the Redevelopment Plan and Roseville Flood Control Redevelopment Project Areas.

The Agency's commercial rehabilitation loan program for small business owners for renovating and rehabilitating commercial property in need of repair are accounted for in this Fund. In this Fund, new loans are accounted for as expenditures and repayments on loans are accounted for as revenues. The balance of outstanding loans is recorded as a receivable, with an offsetting credit to deferred revenue.

The Fund's revenues were \$4.7 million in fiscal 2005 an increase of \$.5 million. Tax revenues were \$4.6 million in fiscal 2005, an increase of \$.5 million from fiscal 2004. The increase was mainly due to the increase in the assessed valuation in the new developments in the Redevelopment Plan Project Area, including the Creekside commercial development across from the Galleria. Investment earnings increased \$.03 million, as equal average investment balances were accompanied by modest interest rate increases.

Fund expenditures were \$3.4 million in fiscal 2005, an increase of \$.7 million. Capital outlay of \$1.1 million were \$.5 million higher than the prior year. The capital improvement projects (Historic District Streetscape, Riverside Streetscape and the Parking Structure) were in the design stages during 2005. Construction on these projects should commence during 2006.

Included in other financing sources in fiscal 2005 was a net of \$1.1 million of transfers out, representing 1) transfer of bond proceeds for CIP project expense reimbursements, 2) property tax increments transferred to the Low and Moderate Income Housing Fund, 3) indirect costs transferred to the City of Roseville, and 4) transfer to debt service fund for annual principal and interest due on bonds.

The Fund's fiscal year end fund deficit of \$13.6 million will be eliminated by future property tax increment collected by the Agency.

### Low and Moderate Income Housing Fund

This Fund accounts for the portion of property tax increment required under California law to be set aside to fund low and moderate income housing expenditures. The Agency's homebuyer assistance loan program for low and moderate income residents and similar loans to non-profit corporations developing such housing are accounted for in this Fund. In this Fund, new loans are accounted for as expenditures and repayments on loans are accounted for as revenues. The balance of outstanding loans is recorded as a receivable, with an offsetting credit to deferred revenue.

The Fund's operations are financed by transfers from the General Fund, which accounts for the receipt of 20% set-aside of the property tax increments by the Agency. In fiscal 2005, these transfers amounted to \$1.0 million, an increase of \$.2 million from fiscal 2004 due to the increase in assessed valuations in property as discussed above.

In fiscal 2005, the balances of loans under the above programs remained the same at \$1.1 million at June 30, 2005.

Principal payments and in many cases interest payments are deferred on these low and moderate income loans until the property is sold or re-financed, and are not considered Fund revenues until they are received. Principal and interest on loans to non-profit developers of such properties typically are at below-market rates and payments are deferred for considerable periods of years to assist these non-profit organizations in their efforts to develop such housing.

All these loans are secured by deeds of trust on the underlying properties. If the facilities constructed with these loans are not used for the purposes intended, the loans become due and payable immediately. However, the intent of many of these loans is that they become grants at the end of their term if the borrower has used the proceeds for the purposes intended.

Three loan repayments in the amount of \$41,008 were received in fiscal 2005. Revenues increased \$16,172 from fiscal 2004.

The Fund's fiscal year end fund balance of \$2.0 million is available only to fund future low and moderate income housing expenditures.

**DEBT SERVICE FUND**

This fund accounts for resources used for the purpose of paying the principal, interest and related costs on the Authority's pledge of tax increment for the repayment of the 2002 Tax Allocation Bonds which are more fully described in Note 6 to the financial statements.

Bonds in the amount of \$14,500,000 were issued in October 2002. The fund balance of this fund is now \$12.3 million. These funds will be used for the construction of the Parking Structure, the Riverside Streetscape Project, the Historic District Streetscape Project, and the Tower Theater Renovation. Debt service expenditures included \$670,891 in interest payments and fiscal charges and \$220,000 in principal payments.

**CAPITAL ASSETS**

GASB 34 requires the Agency to record all its capital assets including any infrastructure. At the end of fiscal 2005, capital assets recorded on the Agency's financial statements, at cost, included \$4 million in land and \$5.9 million in construction in progress and improvements, of which the composition is detailed in Note 5.

<b>CAPITAL ASSETS</b>		
(Dollars in thousands)		
	2005	2004
Land	\$393	\$393
Construction in progress	4,804	3,694
Improvements	1,176	1,154
Less accumulated depreciation	(48)	(19)
Total	<u>\$6,325</u>	<u>\$5,222</u>

## **DEBT ADMINISTRATION**

The Agency had four advances from the City of Roseville in the total amount of \$13.5 million that were not due until 2029, as discussed in Note 4D.

The Agency's only debt issue, the 2002 Redevelopment Project Allocation Bonds, was issued in October 2002 to fund various projects in the Roseville Redevelopment Project Area. As of June 30, 2005, the Agency has \$14.0 million of outstanding long-term debt. This debt issue is discussed in Note 6 to the financial statements.

## **ECONOMIC OUTLOOK AND MAJOR INITIATIVES**

The economy of the City and major initiatives of the Agency for the coming year are discussed in detail in the Transmittal Letter to the City of Roseville Annual Financial Report for the fiscal year ended June 30, 2005.

## **CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT**

These financial statements are intended to provide citizens, taxpayers, investors, and creditors with a general overview of the Agency's finances. Questions about this Report should be directed to the Finance Department, at 311 Vernon Street, Roseville, CA 95678.

**STATEMENT OF NET ASSETS AND STATEMENT  
OF ACTIVITIES**

The Statement of Net Assets and the Statement of Activities summarize the entire Agency's financial activities and financial position. They are prepared on the same basis as is used by most businesses, which means they include all the Agency's assets and all its liabilities, as well as all its revenues and expenses. This is known as the full accrual basis—the effect of all the Agency's transactions is taken into account, regardless of whether or when cash changes hands, but all material internal transactions between Agency funds have been eliminated.

The Statement of Net Assets reports the difference between the Agency's total assets and the Agency's total liabilities, including all the Agency's capital assets and all its long-term debt. The Statement of Net Assets focuses the reader on the composition of the City's net assets, by subtracting total liabilities from total assets.

The Statement of Net Assets summarizes the financial position of all the Agency's financial positions in a single column.

The Statement of Activities reports increases and decreases in the Agency's net assets. It presents the Agency's expenses that are listed by program first. Program revenues—that is, revenues which are generated directly by these programs—are then deducted from program expenses to arrive at the net expense of each program. The Agency's general revenues are then listed and the Change in Net Assets is computed and reconciled with the Statement of Net Assets. It is also prepared on the full accrual basis, which means it includes all the Agency's revenues and all its expenses, regardless of when cash changes hands. This differs from the “modified accrual” basis used in the Fund Financial Statements, which reflect only current assets, current liabilities, available revenues and measurable expenditures.

**REDEVELOPMENT AGENCY OF THE CITY OF ROSEVILLE**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2005**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and investments in City Treasury (Note 2)	\$4,295,379
Restricted cash and investments with fiscal agents (Note 2)	12,319,140
Receivables:	
Accrued interest	37,321
Due from other government agencies	268,957
Notes receivable (Note 3)	1,395,375
Capital assets (Note 5):	
Land and construction in progress	5,196,387
Capital assets being depreciated, net	<u>1,128,105</u>
Total assets	<u>24,640,664</u>
<b>LIABILITIES</b>	
Accounts payable	271,603
Accrued liabilities	405,742
Due to the City (Note 4C)	400,000
Advances from the City (Note 4D)	13,504,959
Deposits	50,000
Deferred liabilities	1,827,513
Long term liabilities (Note 6):	
Due within one year	225,000
Due in more than one year	<u>13,735,000</u>
Total liabilities	<u>30,419,817</u>
<b>NET ASSETS (DEFICIT) (Note 9)</b>	
Invested in capital assets, net of related debt	3,726,811
Restricted for debt service	970,853
Restricted for low and moderate income housing	3,064,473
Unrestricted net assets (deficit)	<u>(13,541,290)</u>
Total net assets (deficit)	<u>(\$5,779,153)</u>

See accompanying notes to financial statements

**REDEVELOPMENT AGENCY OF THE CITY OF ROSEVILLE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2005**

Expenses:	
Community development and planning:	
Program administration	\$669,603
Pass-through payments (Note 7)	1,335,091
Grants	15,800
Interest	<u>1,021,500</u>
Total program expenses	<u>3,041,994</u>
Program revenues:	
Capital grants and contributions	<u>48,347</u>
Total program revenues	<u>48,347</u>
Net program expense	<u>2,993,647</u>
General revenues:	
Property tax increment	4,819,561
Less Educational Revenue	
Augmentation Fund payment (Note 11)	(260,676)
State Homeowners Property Tax Relief	54,558
Use of money and property	355,234
Miscellaneous revenues	24,084
Transfer (out) to the City of Roseville (Note 4B)	<u>(266,010)</u>
Total general revenues and transfers	<u>4,726,751</u>
Change in Net Assets	1,733,104
Net assets (deficit)-beginning	<u>(7,512,257)</u>
Net assets (deficit)-ending	<u><u>(\$5,779,153)</u></u>

See accompanying notes to financial statements

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**FUND FINANCIAL STATEMENTS**

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Major funds are defined generally as having significant activities or balances in the current year.

The funds described below were determined to be Major Funds by the Agency for fiscal 2005. Individual non-major funds may be found in the Supplemental Information section.

**GENERAL FUND**

This fund accounts for monies received from tax increment funds for major capital projects in the Redevelopment Plan and Roseville Flood Control Redevelopment Project Areas.

**LOW AND MODERATE INCOME HOUSING FUND**

This fund accounts for the twenty percent housing set aside from the tax increment proceeds from the Redevelopment Plan Project Area and Roseville Flood Control Redevelopment Project.

**EBT SERVICE FUND**

This fund accounts for payment of interest and principal on the 2002 Tax Allocation Bonds.

**REDEVELOPMENT AGENCY OF THE CITY OF ROSEVILLE  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2005**

	General	Low and Moderate Income Housing	Debt Service	Total Governmental Funds
<b>ASSETS</b>				
Cash and investments in City Treasury (Note 2)	\$1,741,078	\$2,554,301		\$4,295,379
Restricted cash and investments with fiscal agents (Note 2)			\$12,319,140	12,319,140
Receivables:				
Accrued interest	10,206	13,083	14,032	37,321
Due from other government agencies	268,957			268,957
Notes receivables (Note 3)	296,584	1,098,791		1,395,375
<b>Total Assets</b>	<b>\$2,316,825</b>	<b>\$3,666,175</b>	<b>\$12,333,172</b>	<b>\$18,316,172</b>
<b>LIABILITIES</b>				
Accounts payable	\$177,118	\$60,285		\$237,403
Accrued liabilities	184,692			184,692
Due to the City (Note 4C)	350,000	50,000		400,000
Advances from the City (Note 4D)	13,074,737	430,222		13,504,959
Deposits	50,000			50,000
Deferred revenue (Note 3)	296,584	1,098,791		1,395,375
Deferred liabilities	1,766,318	61,195		1,827,513
<b>Total Liabilities</b>	<b>15,899,449</b>	<b>1,700,493</b>		<b>17,599,942</b>
<b>FUND BALANCES</b>				
Reserved for:				
Encumbrances	9,500	15,000		24,500
Low and moderate income housing		1,950,682		1,950,682
Debt service			\$12,333,172	12,333,172
Unreserved, undesignated	(13,592,124)			(13,592,124)
<b>Total Fund Balances (Deficits)</b>	<b>(13,582,624)</b>	<b>1,965,682</b>	<b>12,333,172</b>	<b>716,230</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$2,316,825</b>	<b>\$3,666,175</b>	<b>\$12,333,172</b>	

Amounts reported for Governmental Activities in the Statement of Net Assets are different from those reported in the Governmental Funds above because of the following:

**CAPITAL ASSETS**

Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds. 6,324,492

**ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES**

Revenues which are deferred on the Fund Balance Sheets because they are not available currently are taken into revenue in the Statement of Activities 1,395,375

Non-current portion of compensated absences, included in accrued liabilities (34,200)

**LONG TERM ASSETS AND LIABILITIES**

The assets and liabilities below are not due and payable in the current period and therefore are not reported in the Funds:

    Long-term debt (13,960,000)  
    Interest payable (221,050)

**NET ASSETS (DEFICIT) OF GOVERNMENTAL ACTIVITIES** **(\$5,779,153)**

See accompanying notes to financial statements

**REDEVELOPMENT AGENCY OF THE CITY OF ROSEVILLE  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2005**

	General	Low and Moderate Income Housing	Debt Service	Total Governmental Funds
<b>REVENUES</b>				
Property tax increment	\$4,819,561			\$4,819,561
Less Educational Revenue				
Augmentation Fund payment (Note 11)	(260,676)			(260,676)
Subventions and grants	115,263			115,263
Use of money and property	33,690	\$48,082	\$273,462	355,234
Miscellaneous revenues	7,912	16,172		24,084
<b>Total Revenues</b>	<b>4,715,750</b>	<b>64,254</b>	<b>273,462</b>	<b>5,053,466</b>
<b>EXPENDITURES</b>				
Community development and planning:				
Program administration	557,786	78,813		636,599
Pass-through payments (Note 7)	1,335,091			1,335,091
Grants	15,800	12,315		28,115
Capital outlay	1,131,035			1,131,035
Debt service				
Principal retirement			220,000	220,000
Interest and fiscal fees	344,776	8,033	670,891	1,023,700
<b>Total Expenditures</b>	<b>3,384,488</b>	<b>99,161</b>	<b>890,891</b>	<b>4,374,540</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>1,331,262</b>	<b>(34,907)</b>	<b>(617,429)</b>	<b>678,926</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Contributions from developers	9,254	18,000		27,254
Transfers (out) to the City of Roseville (Note 4B)	(111,800)	(154,210)		(266,010)
Transfers in (Note 4A)	891,604	963,912	881,938	2,737,454
Transfers (out) (Note 4A)	(1,845,850)		(891,604)	(2,737,454)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,056,792)</b>	<b>827,702</b>	<b>(9,666)</b>	<b>(238,756)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<b>274,470</b>	<b>792,795</b>	<b>(627,095)</b>	<b>440,170</b>
Fund balances (deficit) at beginning of period	(13,857,094)	1,172,887	12,960,267	276,060
<b>FUND BALANCES (DEFICIT) AT END OF PERIOD</b>	<b>(\$13,582,624)</b>	<b>\$1,965,682</b>	<b>\$12,333,172</b>	<b>\$716,230</b>

See accompanying notes to financial statements

**REDEVELOPMENT AGENCY OF THE CITY OF ROSEVILLE**  
**Reconciliation of the**  
**NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS**  
**with the**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2005**

The schedule below reconciles the total Net Change in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Assets of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$440,170

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

**CAPITAL ASSETS TRANSACTIONS**

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.

The capital outlay expenditures are therefore added back to fund balance 1,131,035  
 Depreciation expense is deducted from the fund balance (28,868)

**LONG TERM DEBT PROCEEDS AND PAYMENTS**

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Assets the repayment reduces long-term liabilities

Repayment of debt principal is added back to fund balance 220,000

**ACCRUAL OF NON-CURRENT ITEMS**

The amount below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):

Deferred revenues (27,297)  
 Interest payable 2,200  
 Long-term compensated absences, included in accrued liabilities (4,136)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$1,733,104

See accompanying notes to financial statements

REDEVELOPMENT AGENCY OF THE CITY OF ROSEVILLE  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2005

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property tax increment	\$3,796,280	\$4,513,090	\$4,819,561	\$306,471
Less Educational Revenue				
Augmentation Fund payment		(260,654)	(260,676)	(22)
Subventions and grants	49,310	54,730	115,263	60,533
Use of money and property	40,790	24,840	33,690	8,850
Miscellaneous revenues		7,910	7,912	2
<b>TOTAL REVENUES</b>	<u>3,886,380</u>	<u>4,339,916</u>	<u>4,715,750</u>	<u>375,834</u>
<b>EXPENDITURES</b>				
Community development and planning:				
Program administration	661,762	608,852	557,786	51,066
Pass-through payments	1,126,925	1,331,090	1,335,091	(4,001)
Grants	150,000	75,000	15,800	59,200
Capital outlay	2,330,043	2,686,297	1,131,035	1,555,262
Debt service				
Interest			344,776	(344,776)
<b>TOTAL EXPENDITURES</b>	<u>4,268,730</u>	<u>4,701,239</u>	<u>3,384,488</u>	<u>1,316,751</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Contributions from developers			9,254	9,254
Transfers (out) to the City of Roseville	(111,800)	(111,800)	(111,800)	
Transfers in			891,604	891,604
Transfers (out)	(752,230)	(896,358)	(1,845,850)	(949,492)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(864,030)</u>	<u>(1,008,158)</u>	<u>(1,056,792)</u>	<u>(48,634)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>				
	<u>(\$1,246,380)</u>	<u>(\$1,369,481)</u>	274,470	<u>\$1,643,951</u>
Fund balance (deficit) at beginning of year			<u>(13,857,094)</u>	
Fund balance (deficit) at end of year			<u>(\$13,582,624)</u>	

See accompanying notes to financial statements

REDEVELOPMENT AGENCY OF THE CITY OF ROSEVILLE  
 LOW AND MODERATE INCOME HOUSING FUND  
 STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
<b>REVENUES</b>				
Income of money and property	\$29,780	\$49,320	\$48,082	(\$1,238)
Miscellaneous revenue			16,172	16,172
<b>TOTAL REVENUES</b>	<u>29,780</u>	<u>49,320</u>	<u>64,254</u>	<u>14,934</u>
<b>EXPENDITURES</b>				
Community development and planning:				
Program administration	91,601	117,571	78,813	38,758
Grants	850,000	850,000	12,315	837,685
Habitat service				
Interest			8,033	(8,033)
<b>TOTAL EXPENDITURES</b>	<u>941,601</u>	<u>967,571</u>	<u>99,161</u>	<u>868,410</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Contributions from developers		11,000	18,000	7,000
Transfers (out) to the City of Roseville	(5,222)	(5,300)	(154,210)	(148,910)
Transfers in	<u>752,223</u>	<u>896,370</u>	<u>963,912</u>	<u>67,542</u>
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>747,001</u>	<u>902,070</u>	<u>827,702</u>	<u>(74,368)</u>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<u>(\$164,820)</u>	<u>(\$16,181)</u>	792,795	<u>\$808,976</u>
balance at beginning of year			<u>1,172,887</u>	
balance at end of year			<u>\$1,965,682</u>	

See accompanying notes to financial statements

**REDEVELOPMENT AGENCY OF THE CITY OF ROSEVILLE**  
**Notes to the Basic Financial Statements**

**OTE 1 - SUMMARY OF SIGNIFICANT ACCOUNT POLICIES**

***Organization and Purpose***

The Redevelopment Agency of the City of Roseville was created July 28, 1988 under the provisions of the Redevelopment Law (California Health and Safety Code) to clear and rehabilitate areas determined to be in a declining condition in the Project Areas. The Roseville Redevelopment Project was adopted in October of 1989 to provide an improved physical, social and economic environment in the Project Area. The Roseville Flood Control Redevelopment Project was adopted on September 16, 1998 to reverse and alleviate any remaining damage caused to the Project Area by past flooding and to provide flood control improvements to minimize or eliminate future flooding in the Project Area. The City Council serves as the governing body of the Agency and the City Manager serves as the Executive Director.

The Agency is an integral part of the City of Roseville and, accordingly, the accompanying financial statements are included as a component unit of the basic financial statements prepared by the City. A component unit is a separate governmental unit, agency or nonprofit corporation which, when combined with all other component units, constitutes the reporting entity as defined in the City's basic financial statements.

***Basis of Presentation***

The Agency's Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A.

These Standards require that the financial statements described below be presented

***Agency-wide Statements:*** The Statement of Net Assets and the Statement of Activities include the financial activities of the overall Agency government. Eliminations have been made to minimize the double counting of internal activities.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Agency's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

***Fund Financial Statements:*** The Fund Financial Statements provide information about the Agency. Separate statements for each governmental fund are presented. The emphasis of fund financial statements is on major individual funds, each of which is displayed in a separate column. The Agency considers all its funds to be major funds.

**REDEVELOPMENT AGENCY OF THE CITY OF ROSEVILLE**  
**Notes to the Basic Financial Statements**

**JTE 1 - SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)**

*Major Funds*

Major funds are defined as funds that have either assets, liabilities, revenues or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total.

The Agency reported the following major governmental funds in the accompanying financial statements:

**GENERAL FUND**

This fund accounts for monies received from tax increment funds for major capital projects in the Redevelopment Plan Project Area and Roseville Flood Control Redevelopment Project.

**LOW AND MODERATE INCOME HOUSING SPECIAL REVENUE FUND**

This fund accounts for the twenty percent housing set aside from the tax increment proceeds from the Redevelopment Plan Project Area and Roseville Flood Control Redevelopment Project.

**DEBT SERVICE FUND**

This fund accounts for payment of interest and principal on the 2002 Tax Allocation Bonds.

*Basis of Accounting*

The agency-wide financial statements are reported using the *economic resources measurement focus* and the full *accrual basis* of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

Governmental funds are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method, revenues are recognized when *measurable and available*. The Agency considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as *other financing sources*.

Non-exchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Other revenues susceptible to accrual include taxes, intergovernmental revenues, interest and charges for services.

**REDEVELOPMENT AGENCY OF THE CITY OF ROSEVILLE**  
**Notes to the Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)**

**1. Revenues**

The Agency's primary source of revenue is property taxes, referred to in the accompanying financial statements as "incremental property taxes." Property taxes allocated to the Agency are computed in the following manner:

1. The assessed valuation of all property in the Project Area is determined on the date of adoption of the Redevelopment Plan by a designation of a fiscal year assessment role.
2. Property taxes related to any incremental increase in assessed values after the adoption of a Redevelopment Plan are allocated to the Agency; all taxes on the "frozen" assessed valuation of the property are allocated to the City and other districts receiving taxes from the project area.

The Agency has no power to levy and collect taxes and any legislative property tax reduction would lower the amount of tax revenues that would otherwise be available to pay the principal and interest on bonds or loans from the City and any increased tax rate or assessed valuation or any elimination of present exemptions would increase the amount of tax revenues available for this purpose. The Agency is also authorized to finance the Redevelopment Plan from other sources, including assistance from the City, the State and federal governments, interest income and the issuance of Agency debt.

**2. Property Tax**

Placer County assesses properties and bills, collects, and distributes property taxes to the Agency. The County remits the entire amount levied and handles all delinquencies retaining interest and penalties. Secured and unsecured property taxes are levied January 1 of the preceding fiscal year.

Secured property tax is due in two installments, on November 1 and March 1, and becomes a lien on those dates. It becomes delinquent on December 10 and April 10, respectively. Unsecured property tax is due on July 1, and becomes delinquent on August 31. Collection of delinquent accounts is the responsibility of the County which retains all penalties.

The term "unsecured" refers to taxes on personal property other than real estate, land and buildings. These taxes are secured by liens on the property being taxed. Property tax revenues are recognized by the Agency in the fiscal year they are assessed, provided they become available as defined above.

**3. Budgets and Budgetary Accounting**

Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

Budget amounts in the financial statements are as originally adopted, or as amended by the Agency Board. Individual amendments were not material in relation to the original appropriations.

Formal budgetary integration is employed as a management control device. Encumbrance accounting is employed as an extension of formal budgetary integration in all funds. Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances outstanding at year end are reported as reservations of fund balances since they do not constitute expenditures or liabilities and are reappropriated in the following year.

**REDEVELOPMENT AGENCY OF THE CITY OF ROSEVILLE**  
**Notes to the Basic Financial Statements**

**NOTE 2 - CASH AND INVESTMENTS**

The Agency's dependence on property tax receipts, which are received semi-annually, requires it to maintain significant cash reserves to finance operations during the remainder of the year. The Agency pools cash from all sources and all funds, except Cash and Investments with Fiscal Agents, with the City of Roseville so that it can be invested at the maximum yield, consistent with safety and liquidity, while individual funds can make expenditures at any time. The City's investment policy and the California Government Code permit investments in City of Roseville Bonds, Securities of the U.S. Government or its agencies, Forward Delivery Agreements, Obligations of the State of California, Certificates of Deposit, Medium Term Notes, Negotiable Certificates of Deposit, Banker's Acceptances, Commercial Paper, the State of California Local Agency Investment Fund (LAIF Pool), Money Market and Mutual Funds, Shares in a California Common Law Trust, Interest Rate Swaps, Repurchase Agreements, and Insured Savings Account.

**Classification**

Cash and Investments are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of Agency debt instruments. Investments are carried at fair value as follows at June 30, 2005:

Cash and investments	\$4,295,379
Restricted cash and investments with fiscal agent	<u>12,319,140</u>
Total Cash and Investments	<u><u>\$16,614,519</u></u>

Cash and investments as of June 30, 2005 consist of the following:

Cash on hand	\$468,772
Investments	<u>16,145,747</u>
Total Cash and Investments	<u><u>\$16,614,519</u></u>

**REDEVELOPMENT AGENCY OF THE CITY OF ROSEVILLE**  
**Notes to the Basic Financial Statements**

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

*Investments Authorized by Debt Agreements*

The Agency must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged as reserves to be used if the Agency fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with City ordinance, bond indentures or State statute. The table below identifies the investment types that are authorized for investments held by fiscal agents. The table also identifies certain provisions of these debt agreements:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality
U.S. Treasury Obligations	N/A	None
U.S. Agency Securities	N/A	None
		AAAm-G, AAAm or
Money Market Funds	N/A	Aam
Certificates of Deposit	360 days	A-1+
Savings Accounts, Deposit Accounts	N/A	None
Investment Agreements	N/A	None
Commercial Paper	N/A	A-1+
		One of two highest rating
State or Municipality Bonds/Notes	N/A	categories
Fed Funds or Bankers Acceptances	360 days	A-1+
Local Agency Investment Fund (LAIF)	N/A	None
Common Law Trust (including CAMP)	N/A	None

**REDEVELOPMENT AGENCY OF THE CITY OF ROSEVILLE**  
**Notes to the Basic Financial Statements**

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

**C. Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Agency generally manages its interest rate risk by usually holding investments to maturity.

	Cash and Investments	Restricted Cash and Investments	Total	Maturity Date
<i>Investments</i>				
Mutual Funds and Money				
Market Funds (U.S. Securities)		\$176,921	\$176,921	
Local Agency Investment Fund	\$3,826,607		3,826,607	
California Asset Management Pool		11,362,319	11,362,319	
Guaranteed Investment Contracts		779,900	779,900	August 29, 2033
<b>Total Investments</b>	<b>\$3,826,607</b>	<b>\$12,319,140</b>	<b>\$16,145,747</b>	

The Agency is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The Agency reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2005, these investments have an average maturity of 151 days.

Money market funds are available for withdrawal on demand and at June 30, 2005, have an average maturity of 10 days.

**D. Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The actual ratings as of June 30, 2005 for the Mutual Funds and Money Market Funds and the Guaranteed Investment Contract were AAA as provided by Standard and Poor's Investment Rating System. As external investment pools, the Local Agency Investment Fund and California Asset Management Pool were not rated as of June 30, 2005.

**REDEVELOPMENT AGENCY OF THE CITY OF ROSEVILLE**  
**Notes to the Basic Financial Statements**

**NOTE 3 - NOTES RECEIVABLE AND DEFERRED REVENUE**

***1. First Time Home-Buyer Notes Receivable***

The Agency engages in a first time home-buyer program designed to encourage home ownership among low income persons. Under this program, grants or loans are provided at no interest and are due upon sale or transfer of the property. These loans have been offset by deferred revenue as they are not expected to be repaid during fiscal year 2006. The balance of the notes receivable arising from this program at June 30, 2005 was \$102,121.

***2. Affordable Housing Loan Agreements***

The Agency has entered into various loan agreements with real property owners for the purpose of making property improvements to rental units affordable to low and very low-income individuals. Under this program loans are provided with at an interest rate of 3% and are deferred 15 to 40 years. These loans have been offset by deferred revenue as they are not expected to be repaid during the fiscal year 2006. The balance arising from this program at June 30, 2005 was \$996,670.

***3. Commercial Rehabilitation Notes Receivable***

The Agency engages in a commercial rehabilitation program designed to aid small business owners in renovating and rehabilitating commercial property in need of repair. These notes will be forgiven at the end of the Owner Participation Agreement term, which is five to fifteen years, if the property has not been sold. If the property is sold prior to the completion of the agreement term a proportionate amount of the note will be forgiven. The notes are secured by a deed of trust on the property. At June 30, 2005 \$296,584 in notes had been issued to fourteen property owners.

**NOTE 4 - INTERFUND TRANSACTIONS**

***Transfers Between Agency Funds***

With Board approval, resources may be transferred from one Agency fund to another. The purpose of the majority of transfers is to reimburse a fund which has made an expenditure on behalf of another fund. Less often, a transfer may be made to open or close a fund.

Transfers during the fiscal year ended June 30, 2005, between Agency funds, consisted of transfers of \$963,912 and \$881,938 from the General Fund to the Low and Moderate Income Housing Special Revenue Fund and the Debt Service Fund for the State required set-aside of tax increment revenues and debt service payments, respectively. The Debt Service Fund also transferred \$891,604 to the General Fund for capital projects reimbursements.

***Transfers Between the City and the Agency***

The General Fund and the Low and Moderate Income Housing Fund transferred \$111,800 and \$5,300, respectively, to the City to fund their share of indirect for the fiscal year ended June 30, 2005. The Low and Moderate Income Housing Fund also transferred \$148,910 to the City to fund housing program

**REDEVELOPMENT AGENCY OF THE CITY OF ROSEVILLE**  
**Notes to the Basic Financial Statements**

**NOTE 4 – INTERFUND TRANSACTIONS (Continued)**

*Interfund Balances Between the City and the Agency*

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. At June 30, 2005 the General and the Low and Moderate Income Housing Special Revenue Funds owed \$350,000 and \$50,000 to the City, respectively.

*Long-Term Interfund Advances Between the City and the Agency*

At June 30, 2005 the funds below had received advances which were not expected to be repaid within the next year. These long-term interfund advances are expected to be repaid out of future revenues by 2029.

<u>Fund Receiving Advance</u>	<u>Fund Making Advance</u>	<u>Amount of Advance</u>
General Fund	City of Roseville General Fund	\$8,345,536
	City of Roseville Gas Tax Special Revenue Fund	3,900,000
	City of Roseville Automotive Replacement Internal Service Fund	829,201
Low and Moderate Income Housing Special Revenue Fund	City of Roseville Fire Facilities Special Revenue Fund	16,371
	City of Roseville Traffic Mitigation Special Revenue Fund	3,080
	City of Roseville Park Development Special Revenue Fund	85,286
	City of Roseville Affordable Housing Special Revenue Fund	250,000
	City of Roseville Sewer Enterprise Fund	11,120
	City of Roseville Water Enterprise Fund	64,365
		<u>\$13,504,959</u>

These advances consists of four advances: (1) Advances in the amount of \$1,676,789 will be repaid in fiscal year 2009. (2) Advances in the amount of \$7,747,948 will be repaid in fiscal year 2029. Both of these advances bear interest at the average interest rate of the City's pooled investments. (3) Advances in the amount of \$3,900,000 bear no interest and will be repaid in fiscal year 2029. (4) Advances in the amount of \$180,222 bear interest at 4.45% and will be repaid in fiscal year 2009

**REDEVELOPMENT AGENCY OF THE CITY OF ROSEVILLE**  
**Notes to the Basic Financial Statements**

**NOTE 5 – CAPITAL ASSETS**

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed fixed assets are valued at their estimated fair market value on the date contributed. The Agency's policy is to capitalize all assets with cost exceeding certain minimum thresholds and with useful lives exceeding two years.

All capital assets with limited useful lives are depreciated over their estimated useful lives. Depreciation is not provided under this approach, but all expenditures on these assets are expensed, unless they are additions or improvements.

The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

Depreciation of all capital assets is charged as an expense against operations each year and the total amount of depreciation taken over the years, called accumulated depreciation, is reported on the balance sheet as a reduction in the book value of capital assets.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

***Capital Asset Additions and Retirements***

Capital assets at June 30 comprise:

	Balance at June 30, 2004	Additions	Balance at June 30, 2005
Capital assets not being depreciated:			
Land	\$392,643		\$392,643
Construction in progress	3,694,031	\$1,109,713	4,803,744
Total capital assets not being depreciated	4,086,674	1,109,713	5,196,387
Capital assets being depreciated:			
Improvements	1,154,718	21,322	1,176,040
Total capital assets being depreciated	1,154,718	21,322	1,176,040
Less accumulated depreciation for:			
Improvements	(19,067)	(28,868)	(47,935)
Total accumulated depreciation	(19,067)	(28,868)	(47,935)
Net capital assets being depreciated	1,135,651	(7,546)	1,128,105
Governmental activity capital assets, net	\$5,222,325	\$1,102,167	\$6,324,492

**REDEVELOPMENT AGENCY OF THE CITY OF ROSEVILLE**  
**Notes to the Basic Financial Statements**

**NOTE 5 – CAPITAL ASSETS (Continued)**

Construction in progress comprised the following at June 30, 2005:

Project	Amount
Historic District Streetscape	\$618,520
Riverside Avenue Streetscape	436,406
Parking Structure	63,105
Vernon Streetscape	3,625,008
Washington Pedestrian Underpass	60,705
<b>Total construction in progress</b>	<b><u>\$4,803,744</u></b>

**NOTE 6 – LONG-TERM DEBT**

*Current Year Transactions and Balances*

	Balance June 30, 2004	Retirements	Balance June 30, 2005	Current Portion
<b>Tax Allocation Bonds</b>				
2002 Redevelopment Project Tax Allocation Bonds, 3%-5.14%, due 9/1/33	<u>\$14,180,000</u>	<u>\$220,000</u>	<u>\$13,960,000</u>	<u>\$225,000</u>

*2002 Roseville Redevelopment Project Tax Allocation Bonds*

On October 23, 2002 the Agency issued Tax Allocation Bonds in the original principal amount of \$14,500,000 to fund certain redevelopment activities of benefit to property within the Agency's Roseville Redevelopment Project Area. The Bonds are special obligations of the Agency and are secured by the Agency's tax increment revenues. Principal payments are payable annually on September 1 and interest payments are due semi-annually on March 1 and September 1, through September 1, 2033.

Annual debt service requirements for the Bonds are shown below:

For the Year Ending June 30	Governmental Activities	
	Principal	Interest
2006	\$225,000	\$659,775
2007	275,000	651,875
2008	280,000	642,750
2009	290,000	632,125
2010	300,000	619,875
2011-2015	1,700,000	2,895,240
2016-2020	2,120,000	2,461,365
2021-2025	2,695,000	1,868,625
2026-2030	3,430,000	1,107,000
2031-2034	2,645,000	216,375
<b>Total</b>	<b><u>\$13,960,000</u></b>	<b><u>\$11,755,005</u></b>

**REDEVELOPMENT AGENCY OF THE CITY OF ROSEVILLE**  
**Notes to the Basic Financial Statements**

**NOTE 7 - PASS THROUGH AGREEMENTS**

As part of the Agency Improvement Plan adoption, the Agency entered into agreements with various taxing entities which require the Agency to pass through portions of Project Area incremental property taxes to each taxing entity. In certain cases the commission retains these pass through payments until certain projects have been completed. Payments under these pass through agreements amounted to \$1,335,091 for the year ended June 30, 2005.

**NOTE 8 - DEVELOPMENT AGREEMENT**

In fiscal 2004, the Agency agreed to sell four parcels of land to Vernon Street Associates, LLC for \$150,000, related to the Developer's construction of an office complex and public parking garage. Two of the parcels are owned by the City and will be conveyed to the Agency prior to the sale to the Developer. The office complex will be built on the land sold to the Developer and will be funded by the Developer. The developer has agreed to construct the parking garage for the Agency which will be funded by \$6,125,477 of bond proceeds from the Agency's 2002 Tax Allocation Bonds and a \$360,000 contribution from the Developer. In addition, the Developer has agreed to contribute \$20,000 annually, plus an inflationary escalator beginning in 2010, towards the maintenance and operation costs of the parking garage. Construction is expected to commence in fiscal 2006.

**NOTE 9 - NET ASSETS AND FUND BALANCES**

Net Assets is measured on the full accrual basis, while Fund Balance is measure on the modified accrual basis.

*Net Assets*

Net Assets are divided into three captions. These captions apply only to Net Assets as determined at the Government-wide level, and are described below:

*Invested in Capital Assets* describes the portion of Net Assets which is represented by the current net book value of the Agency's capital assets.

*Restricted* describes the portion of Net Assets which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the Agency cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements, and redevelopment funds restricted to low and moderate income purposes.

*Unrestricted* describes the portion of Net Assets which is not restricted as to use.

*Reserves*

Reserves are restrictions placed by outside entities, such as other governments, which restrict the expenditures of the reserved funds to the purpose intended by the entity which provided the funds. The Agency cannot modify or remove these restrictions or reserves.

*Fund Balance Deficit*

The General Fund had deficit fund balance at June 30, 2005 of \$13,582,624. Future Tax Increment revenues are expected to offset these deficits.

**REDEVELOPMENT AGENCY OF THE CITY OF ROSEVILLE**  
**Notes to the Basic Financial Statements**

**NOTE 10 - CONTINGENT LIABILITIES**

The Agency is subject to litigation arising in the normal course of business. In the opinion of the City Attorney there is no pending litigation, which is likely to have a material adverse effect on the financial position of the Agency.

**NOTE 11 - TAX INCREMENT SHIFT TO EDUCATIONAL REVENUE AUGMENTATION FUND (ERAF)**

In fiscal year 2005 the State of California directed that a portion of the incremental property taxes which had been received in prior years by redevelopment agencies be paid instead to local educational agencies. During the fiscal year ended June 30, 2005, the Agency paid \$260,676 as a result of the State directive.

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**REPORT ON COMPLIANCE AND ON  
INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

Members of the Governing Board  
Redevelopment Agency of the City of Roseville  
Roseville, California

We have audited the financial statements of the Redevelopment Agency of the City of Roseville as of and for the year ended December 30, 2005, and have issued our report thereon dated October 28, 2005. We have conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

*Internal Control over Financial Reporting*

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine the auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses, however we did communicate other matters to City Council in our separate Memorandum on Internal Controls dated October 28, 2005.

*Compliance and Other Matters*

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Our audit included tests of compliance with provisions of the *Guidelines for Compliance Audits of California Redevelopment Agencies*. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the City Council, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than the above parties.



October 28, 2005

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**APPENDIX B**  
**FISCAL CONSULTANT REPORT**

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**Redevelopment and Financial Consulting**

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Roseville CA 95661

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**FISCAL CONSULTANT REPORT**

*Redevelopment Agency of the City of Roseville*

Roseville Redevelopment Project Area

October 2006

**Section A - Introduction**

---

The Redevelopment Agency of the City of Roseville (Agency) is considering the issuance of tax allocation bonds (Bonds). The Agency intends to pledge a portion of the tax increment revenues generated from the Roseville Redevelopment Project Area (Project Area) to repayment of the Bonds.

The purpose of this Fiscal Consultant Report (Report) is to provide in depth information about the tax increment revenues to be used to support repayment of the Bonds. The Report includes the following sections that address various aspects of the revenue stream:

- A. **Introduction:** This section provides an overview of the Report and its purpose.
- B. **General Information:** Provides information on the Project Area, including a general description of the Redevelopment Plan and the financial and time limits of the Project Area. A brief description of the systems and procedures used by Placer County for the allocation of tax increment is also included.
- C. **Taxable Values and Historical Revenues:** Information in this section includes a description of the categories of taxable values, the Top Ten Assesseees in the Project Area and the historical trends in values and revenues.
- D. **Assessment Appeals:** The findings from a review of the records of the Placer County Assessment Appeals Board are included in this section.
- E. **Estimate of Current and Future Revenues:** This part of the report includes the tax increment projections for the Project Area.
- F. **Adjustments and Liens on Revenue:** This section provides information on and the estimated impact of adjustments and liens on the revenue stream.
- G. **Other Issues:** This final section describes certain provisions of the Community Redevelopment Law (CRL) that could affect the tax increment revenues of the Project Area.

The value and revenue estimates contained in this Report are based upon information, data and assumptions which we believe to be reasonable and accurate. The assessment practices and county allocation procedures discussed in this Report are based on information provided by representatives of Placer County. Assessment practices and allocation procedures are set, in part, administratively and can be changed. Nothing came to our attention during this review to indicate changes are imminent. To a certain extent, the estimates of revenue are based on assumptions that are subject to a degree of uncertainty and variation and therefore we do not represent them as results that will actually be achieved. However, they have been conscientiously prepared on the basis of our experience in the field of financial analysis for redevelopment agencies.

**Section B - General Information**

---

*The Project Area*

The Redevelopment Plan for the Project Area was originally adopted on October 18, 1989 by Ordinance No. 2274. The Project Area was amended in September 1994 by Ordinance No. 2814, and established certain time and financial limits as required under the Community Redevelopment Law (CRL). The Project Area was amended a second time on April 20, 2005 by Ordinance No. 4211. The second amendment deleted the final date to establish debt and extended by one year the last date that the Plan can be effective and the Agency can receive tax increment.

The current time and financial limits for the Project Area are shown below:

Debt Establishment	Deleted
Plan Effectiveness	10/18/2030
Debt Repayment	10/18/2040
Bond Debt Limit	\$50 million
Tax Increment Limit	\$450 million

Through May 2006, the Agency has received approximately \$24 million in tax increment for the Project Area. The projections of tax increment provided as part of this report indicate the Agency will not reach the tax increment limit over the remaining time period to receive tax increment.

The Project Area includes approximately 1,619 acres and encompasses the City's traditional downtown along with other commercial and industrial uses. The Project Area also contains pockets of residential uses. Shown below is a land use breakdown of the Project Area by parcel and taxable value.

<b>LAND USE CATEGORY SUMMARY 2006-07</b>			
	Parcels	Taxable Value	Percent of Total
Residential	446	120,195,449	17.42%
Commercial	418	433,664,884	62.86%
Industrial	109	46,419,443	6.73%
Vacant Land	172	14,266,926	2.07%
Other	184	12,834,771	1.86%
Total Secured	1,329	627,381,473	
Unsecured / State Assesed		62,464,612	9.05%
<b>Grand Total</b>		<b>689,846,085</b>	<b>100.00%</b>

*Property Tax Allocation Procedures*

The method by which a county allocates property taxes and tax increment revenues can have a significant impact on the receipt of such revenues. Incorrectly allocated revenues can result in a redevelopment project area receiving erroneous amounts of revenue. In addition, the method a county uses to allocate delinquent taxes, roll corrections and property tax refunds will impact the amount of tax increment received. For these reasons, Placer County's procedures for the allocation of property taxes and tax increment were evaluated.

Placer County calculates tax increment to redevelopment project areas by applying the current year tax rate to secured incremental taxable values and the prior year tax rate to unsecured incremental taxable values. The County also allocates unitary revenue on the basis of the total unitary revenue in a project area, without reductions for base year revenues. The allocation of unitary revenue is based on revenues received in 1987-88, adjusted by the actual growth or decline in unitary revenues on a countywide basis.

Tax increment generated from the secured tax roll is allocated based on 100 percent of the County calculated levy. The method is often referred to as the Teeter Plan. Under the Teeter Plan, taxing entities and redevelopment projects are shielded from the impact of delinquent property taxes. The County does adjust secured tax increment payments for roll corrections, such as refunds of property taxes due to successfully appealed assessments. Tax increment generated from the application of the one percent tax rate to the unsecured incremental value of a project area is based on the actual collections of unsecured revenues on a county-wide basis.

Subsequent sections of this Report include a discussion of the impact of the County's allocation practices on the Project Area's tax increment revenues, to the extent applicable.

**Section C – Taxable Values and Historical Revenues**

---

*Taxable Values*

Property is valued as of January 1 of each year. Property that is subject to taxation is valued at 100 percent of its full cash value. Locally assessed property is appraised by the county assessor's office. The State Board of Equalization (SBE) provides valuations for state assessed property.

Real property consists of land and improvements and can either appear on the secured or the unsecured roll. The secured roll includes property on which the property tax levied becomes a lien on the property to secure the payment of taxes. Unsecured property does not become a lien on such property, but may become a lien on other property of the taxpayer.

Locally assessed real property is subject to the provisions of Article XIII A of the California Constitution, commonly referred to as Proposition 13. Under Proposition 13, property is valued based either on its value in 1975-76 or if newly constructed or sold after this date, then on the full cash value of the property at that time. Property values may only increase by an inflation factor of up to 2 percent annually. The Proposition 13 value of property is sometimes referred to as the factored base year value. Pursuant to Section 51 (b) of the Revenue and Taxation Code, assessors must enroll the lesser of the market value or the factored base year value of property.

Personal property values can be classified as either secured or unsecured property. Personal property is not subject to the provisions of Proposition 13. Such property is annually appraised at the full cash value of the property. Absent new acquisitions, the full cash value of personal property tends to decline over time as a result of depreciation. Fixtures, while categorized as real property and subject to the restrictions of Proposition 13, are also subject to declining values through depreciation.

State-assessed property is also not subject to the provisions of Proposition 13. Such property is valued by the SBE based on the full cash value of the property. State-assessed property is categorized as secured property and is either unitary or non-unitary property. Since 1987-88, the value of unitary property has been reported on a county-wide basis, with unitary revenues allocated to taxing entities and redevelopment projects pursuant to a formula contained in AB 454. State-assessed non-unitary values and railroad values are reported at the local tax rate area level.

#### *Project Area Value Trends*

Table 1 shows the historical taxable values of the Project Area over the past five years. Taxable values have increased from \$417.6 million in 2002-03 to \$689.8 million in 2006-07. The total percentage change was 65.20 percent over the four year period. The average annual percentage change in values was 13.37 percent.

Secured taxable values have increased by \$134.2 million since 2004-05. This growth has largely been driven by changes of ownership. The Creekside Towncenter, which includes over 368,000 square feet of retail uses that was completed in 2002, was sold to Donahue Scribner. This change of ownership increased taxable values by over \$48 million. Other smaller changes of ownership also contributed over \$23 million in new value. These represented 107 separate changes of ownership. The average value of the parcels that changed ownership went from \$195,000 to \$415,000.

New development also added \$30 million in new value since 2004-05. This included the completion of two hotels, a Courtyard by Marriott and the Homewood Suites. One 80,000 square foot office development was also completed during this period. The balance of growth can be attributed to the allowable 2 percent inflation adjustment and other new investment in the Project Area.

A parcel verification was not performed as part of our analysis of taxable values. Previous parcel audits have corrected certain minor errors in the assignment of parcels. We have assumed that the reported taxable values from the County are correct.

*Top Ten Assesseees*

The Top Ten Assesseees in the Project Area are summarized on Table 2. The total taxable value for the Top Ten Assesseees represents 48.34 percent of the total value of the Project Area and 60.58 percent of the incremental value.

*Historical Tax Increment Revenues*

Table 4 provides information on the historical receipt of tax increment revenues in the Project Area. The initial County levy is first compared to the actual receipt of tax increment exclusive of supplemental revenues to determine collection trends. Actual receipts of tax increment for the period 2001-02 through 2005-06 have averaged 99.24 percent of the levy. The reason that actual receipts vary from the levy is because the County allocates unsecured values on the basis of actual revenue received and also because the County adjusts revenues for roll corrections.

Supplemental property tax receipts are also shown on Table 4. Supplemental taxes are a function of new construction or changes of ownership since the last property tax lien date. Supplemental property taxes have been substantial in the Project Area. Such revenues are not included in our projections for 2006-07 or future fiscal years. When supplemental revenues are included the average receipts to levy ratio equals 109.27 percent.

The Agency receives its major payments of secured and unsecured tax increment in late December or early January and in April of each fiscal year. A final payment is made in August of each year.

**Section D – Assessment Appeals**

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Taxpayers may appeal their property tax assessments. The value of locally assessed property is appealed to the local county assessor, while the value of state assessed property is appealed to the SBE. Both real and personal property assessments can be appealed. Personal property appeals are filed based on disputes over the full cash value of the property.

Under California law, there are two types of appeals for the value of real property. A base year appeal involves the Proposition 13 value of property. If an assessee is successful with a base year appeal, the value of the property is permanently reduced. In the future, the value can only be increased by an inflation factor of up to 2 percent annually. Appeals can also be filed pursuant to Section 51 (b) of the Revenue and Taxation Code. Under this section of the code, also referred to as Proposition 8 appeals, the value of property can be reduced due to damage, destruction, removal of property or

other factors that cause a decline in value. When the circumstance that caused the decline is reversed the value of the property can be increased up to the factored base year value of the property. Values can be reduced under Proposition 8 either based on a formal appeal or they can be set by the county assessor.

Due to the impact that assessment appeals can have on the taxable values and tax increment revenues of a project area, a review of recently resolved and open appeals was conducted. Based on information provided by the Placer County Assessor's Office, there are no open or recently resolved appeals in the Project Area.

Placer County allocates refunds related to appeals to the Project Area on the basis of the Project Area's AB 8 apportionment factor applied to all refunds countywide (the AB 8 apportionment factor represents a project area's tax increment revenue in relation to total countywide property taxes). Refunds from appeals that occur outside the Project Area could negatively affect future tax increment revenues. Based on the levy to receipts ratio discussed in Section C above, refunds and other roll corrections have had only a minor impact on the collection of tax increment revenues. We have therefore not adjusted tax increment revenues in the projections shown in Section E by a refund factor.

### **Section E - Estimate of Current and Future Tax Increment Revenue**

---

Tax increment revenues are calculated by first subtracting the base year value of a project area from the current year taxable value in order to determine the incremental taxable value of the project area. Applicable tax rates are then applied to the incremental taxable value in order to determine tax increment revenues.

The Agency also receives supplemental property taxes for the Project Area on an annual basis. Due to the difficulty of estimating supplemental revenues, we have not included such revenues in the projections. Supplemental property taxes typically increase the receipt of tax increment.

#### *Current Year Revenues*

An estimate of current year (2006-07) tax increment revenues is shown on Table 4. The values utilized are based on actual taxable values as provided by Placer County. Tax increment generated from the application of the tax rate to incremental taxable value for 2006-2007 is estimated at \$5.5 million. Unitary revenues are estimated at \$9,000 based on the County's calculation of such revenues in 2005-06.

#### *Projected Revenues*

A projection of tax increment revenues is shown on Table 5. The 2006-07 value of real and other property for the Project Area are based on actual values as provided by Placer County. Real property consists of locally reported secured and unsecured land and improvement values. The other property category includes personal property and state assessed values.

The future level of real and other property values has been estimated on Table 5. Real property values have been increased based on a 2 percent inflation factor. The 2 percent factor is the maximum inflation factor that county assessors can use to increase real property values. However, in certain fiscal years the inflation factor has been less than 2 percent. Should inflation not reach 2 percent in the future, tax increment could be lower than that shown on Table 5.

Future year tax increment revenues have also been increased for one new development that is currently under construction in the Project Area. A 57,000 square foot office building is expected to add taxable values to the 2007-08 and 2008-09 tax roll.

Tax increment has been estimated based on the application of the tax rate to incremental taxable value. Tax rates in the Project Area are composed of the basic one percent tax rate and debt service tax rates (tax rates levied to repay voter approved indebtedness). Debt service tax rates for 2005-06 generated less than \$1,000 in tax increment. Due to the minimal level of revenue, we have calculated tax increment using a 1 percent tax rate only. Unitary revenues are based on the County's 2005-06 estimate. They have been estimated to remain constant in the projections.

The Agency is not eligible to receive tax increment from debt service tax rates that were approved by the voters after January 1, 1989. The tax rates used to estimate tax increment shown on Table 5 do not include post January 1, 1989 tax rates.

## **Section F – Adjustments and Liens on Tax Increment**

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The tax increment revenues of the Project Area are subject to certain adjustments and liens, as described in this section. The adjustments and liens must be paid prior to the payment of debt service on the Bonds.

### *Adjustments to Revenue*

There are two adjustments to the tax increment revenues shown on Table 5 for property tax administrative fees and Section 33676 allocations.

State law allows counties to charge taxing entities, including redevelopment agencies, for the cost of administering the property tax collection system. The fees have been estimated and shown on Table 5.

For project areas adopted prior to January 1994, taxing entities could elect to receive additional property taxes above the base year revenue amount. Such amounts are calculated by increasing the real property portion of base year values by an inflation factor of up to 2 percent annually. Taxing entities can receive a proportionate share of such revenues if they elected to do so prior to adoption of the redevelopment plan. The City of Roseville, the Roseville Cemetery District and Placer County are allocated such revenues.

*Housing Set-Aside*

Redevelopment agencies are required to deposit not less than 20 percent of the tax increment generated in a project area into a special fund to be used for qualified low and moderate income housing programs. Table 5 shows the full housing set-aside deposit. The housing set-aside revenues have been pledged to repay the Series \_\_ Bonds.

*Statutory Payments*

Beginning in 2010-11, the Agency will be required to make statutory payments to those affected taxing entities that do not have a negotiated tax sharing agreement. These payments will be required because the time limitation for the incurrence of debt was deleted pursuant to Ordinance No. 4211. Payments will only be due from increases in assessed value above levels in 2009-10 (referred to as the AB 1290 AV Base), when the debt incurrence limit would have been reached for the Project Area. Tax sharing payments will be owed only to those taxing entities that do not have a pass through agreement for the Project Area, as discussed in the next section. The payments are based on the formula shown below.

<b>Tier</b>	<b>Payment Required</b>
Tier 1	20% of the gross tax increment attributable to increases above the AB 1290 AV Base (2009-10) assessed values during the remaining term the Agency receives tax increment. This tier will be triggered in 2010-11
Tier 2	Beginning in the 11 <sup>th</sup> year after establishment of the AB 1290 AV Base, an additional payment equal to 16.8% of the gross tax increment attributable to growth above a second adjusted base year value.
Tier 3	Beginning in the 31 <sup>st</sup> year after establishment of the AB 1290 AV Base, an additional payment equal to 11.2% of the gross tax increment attributable to growth above a third adjusted base year value.

*Subordinate Tax Sharing Payments*

Pursuant to former Section 33401 of the Health and Safety Code, the Agency has entered into tax sharing agreements with a number of taxing entities. In order for these payments to be subordinate to the Bonds, the Agency is required to provide each taxing entity with evidence that it has sufficient tax increment to make both bond debt service payments and

the tax sharing payments. The Agency is in the process of providing such evidence. The following taxing entities have entered into tax sharing agreements with the Agency:

- Placer County
- Roseville City School District
- Eureka Union School District
- Roseville Joint Union High School District
- Sierra Community College District
- Placer County Office of Education

Placer County's tax sharing agreement with the Agency provides that the County will receive 100 percent of its share of "net tax increment." Net tax increment is defined as all tax increment allocated to the Agency from the Project Area, less monies required to be set aside for low and moderate income housing. In essence, the County receives 80 percent of its share of tax increment revenue less the amount it is allocated per Section 33676.

The tax sharing agreements with the five school districts (collectively referred to as the Districts) require that payments include two components:

1. Component 1: Each District receives the portion of tax revenues the District would have received in the absence of the Redevelopment Plan that result from increases in the real property portion of the base year value of up to two percent annually (in essence the Section 33676 revenues, but paid pursuant to the tax sharing agreement).
2. Component 2: Each District receives a specified percentage of net tax increment. The agreements define net tax increment as the total tax increment allocated to the Agency less amounts paid to the County per its tax sharing agreement and less the amount of the housing set-aside.

## **Section H – Other Issues**

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The CRL requires that as a part of the Agency's annual audit, that the legislative body be informed of any major violations of the CRL. Major violations include failure to: 1) File an independent financial audit and fiscal statement; 2) Establish time limits for each project area; 3) Establish a low and moderate income housing fund and accrue interest to the fund; 4) Determine that planning and administrative costs charged to the Housing Fund are necessary for the production, preservation, or improvement of affordable housing; 5) Initiate development of housing on real property acquired from the low and moderate income housing fund; and 6) Adopt an implementation plan. The Agency's audit did not indicate the existence of major violations.

### *Educational Revenue Augmentation Fund (ERAF)*

Due to shortfalls in the state budget, legislation was approved that required redevelopment agencies statewide to shift \$75 million of tax increment revenues to

**FA Fraser & Associates**

ERAF in 2002-03, \$135 million in 2003-04 and \$250 million for 2004-05 and 2005-06. The shift to ERAF offset the need for a similar amount of state aid to education. Half of the shift was calculated on the basis of the gross tax increment of a project area and the other half on net revenues after tax sharing payments. Pursuant to SB 1096, the ERAF obligation is subordinate to the Loan, so we have not reduced the amount of tax increment shown on Tables 5 and 6 for such amounts. The current and past ERAF contribution is shown in the table below:

<b>Fiscal Year</b>	<b>Amount</b>
2002-03	\$46,838
2003-04	128,011
2004-05	228,713
2005-06	283,664

Table 1  
 Roseville Redevelopment Agency  
 Roseville Project Area

**HISTORICAL TAXABLE VALUE**

Fiscal Year	Locally-Assessed Secured Value	Unsecured Value	State-Assessed Value	Total Taxable Value	Percentage Change	Total Incremental Value (1)
2006-07	\$627,381,473	\$53,498,214	\$8,966,398	\$689,846,085	14%	\$550,421,529
2005-06	546,418,879	48,038,555	10,448,206	604,905,640	10%	465,481,084
2004-05	493,164,260	44,475,089	11,236,935	548,876,284	13%	409,451,728
2003-04	431,945,817	44,516,191	9,593,909	486,055,917	16%	346,631,361
2002-03	373,443,349	35,291,503	8,838,757	417,573,609	N/A	278,149,053
<b>Total Percentage Change</b>					<b>65.20%</b>	
<b>Average Percentage Change</b>					<b>13.37%</b>	

(1) Taxable Value above base year value of \$139,424,556.

Source: Placer County Auditor-Controller Office

Table 2  
 Roseville Redevelopment Agency  
 Roseville Project Area

**TEN MAJOR PROPERTY TAX ASSESSEES  
 2006-07 COUNTY REPORTED VALUES**

Assessee	Type of Use	Secured	Unsecured	Total Value	%of Total Value (2)	%of Inc Value (2)
1) Donahue Schriber Realty Group LP	Shopping Center	\$107,740,000	\$0	\$107,740,000	15.62%	19.57%
2) Kobra Preserve LLC	Apartment	49,183,870	0	49,183,870	7.13%	8.94%
3) Rreef America REIT II Corporation	Office	42,893,564	0	42,893,564	6.22%	7.79%
5) Evergreen Britannia Land Joint Venture	Shopping Center	42,505,810	0	42,505,810	6.16%	7.72%
4) John L. Sullivan Family Limited Partnership	Auto Dealer	21,809,085	0	21,809,085	3.16%	3.96%
6) W2005 & Fargo Hotels Realty	Hotels	17,838,572	0	17,838,572	2.59%	3.24%
7) Home Depot USA Inc	Retail	15,817,439	0	15,817,439	2.29%	2.87%
8) Roseville Motor Corporation	Auto Dealer	12,640,860	484,550	13,125,410	1.90%	2.38%
9) G&S Future Investment	Commercial	11,328,076	0	11,328,076	1.64%	2.06%
10) Ronald T. Vanderbeek, Et. Al.	Industrial	11,221,617	0	11,221,617	1.63%	2.04%
<b>Total Valuation</b>		<b>332,978,893</b>	<b>484,550</b>	<b>333,463,443</b>	<b>48.34%</b>	<b>60.58%</b>

(1) Based on ownership of locally-assessed secured and unsecured property.

(2) Based on 2006-07 Project Area taxable value of \$689,846,085 and incremental value of \$550,421,529.

Source: Records of Placer County

Table 3  
 Roseville Redevelopment Agency  
 Roseville Redevelopment Project Area

**HISTORICAL RECEIPTS (1)**

	Levy per County (2)	Tax Increment Receipts Less Supplementals	% of Levy Received	Supplementals	Total Tax Increment Receipts	% of Levy Received
2005-06	\$4,482,324	\$4,450,656	99.29%	\$273,898	\$4,724,554	105.40%
2004-05	3,935,978	3,885,170	98.71%	355,347	4,240,517	107.74%
2003-04	3,310,483	3,286,470	99.27%	388,393	3,674,863	111.01%
2002-03	2,648,512	2,641,630	99.74%	187,841	2,829,470	106.83%
2001-02	2,143,903	2,131,636	99.43%	451,149	2,582,785	120.47%
<b>Average Receipts to Levy</b>			<b>99.24%</b>			<b>109.27%</b>

(1) Receipts per Agency records prior to reduction for property tax admin. fees.

(2) Intial levy reported by Placer County.

Table 4  
 Roseville Redevelopment Agency  
 Roseville Project Area

**TAX INCREMENT REVENUE ESTIMATE - FISCAL YEAR 2006-07 (1)**

<u>Local Secured</u>	
Land	\$197,797,581
Improvements	435,501,545
Personal Property	5,356,062
Gross Local Secured	638,655,188
Exempt	11,273,715
Net Local Secured	627,381,473
State Assessed	8,966,398
<u>Unsecured</u>	
Land	24,230
Improvements	13,844,900
Personal Property	44,298,975
Total Unsecured	58,168,105
Exempt	4,669,891
Net Unsecured	53,498,214
<b>Total Value</b>	<b>689,846,085</b>
Base Year Taxable Value	139,424,556
Incremental Taxable Value	550,421,529
Tax Increment	5,504,215
Unitary Tax Increment	9,155
<b>Total Tax Increment Revenue</b>	<b>5,513,370</b>
<u>Adjustments to Tax Increment Revenue:</u>	
Property Tax Administration Fees (2)	104,122
Section 33676 Allocations (3)	196,686
<u>Liens on Tax Increment</u>	
Housing Set-Aside (4)	1,063,337
<b>Tax Revenues</b>	<b>4,149,226</b>
Taxing Sharing Payments -Subordinated (5)	1,599,480
<b>Net Tax Increment Revenue</b>	<b>2,549,746</b>

- (1) Based on taxable values per Placer County Auditor-Controller.
- (2) Estimate based on 1.89 percent of tax increment.
- (3) Additional allocations to various taxing entities pursuant to former Section 33676 of the CRL.
- (4) Based on 20 percent of total tax increment revenue net of Section 33676 allocations.
- (5) Payments per agreements with Placer County and the School Districts.

Table 5  
Roseville Redevelopment Agency  
Roseville Project Area

**PROJECTION OF INCREMENTAL TAX REVENUE**  
(000's Omitted)

Fiscal Year	Real (1) Property	New (2) Development	Other (3) Property	Total Value	Value		Tax Increment	Unitary Revenue	Total Tax Increment	33676 (4) Adjustment	Property		(5)		Tax (6)		Net Tax Increment Revenue
					Over Base Of \$139,425						Tax Admin. Fees	Housing Set-Aside	Statutory Payments	Tax Revenues	Sharing Payments		
2006 - 2007	N/A	N/A	\$53,952	\$689,846	\$550,422		\$5,504	\$9	\$5,513	\$197	\$104	\$1,063	\$0	\$4,149	\$1,599	\$2,550	
2007 - 2008	648,612	4,301	53,952	706,865	567,441		5,674	9	5,684	211	107	1,094	0	4,271	1,654	2,616	
2008 - 2009	665,972	4,301	53,952	724,225	584,800		5,848	9	5,857	226	111	1,126	0	4,394	1,710	2,685	
2009 - 2010	683,679	0	53,952	737,630	598,206		5,982	9	5,991	241	113	1,150	0	4,487	1,755	2,732	
2010 - 2011	697,352	0	53,952	751,304	611,879		6,119	9	6,128	256	116	1,174	3	4,579	1,801	2,778	
2011 - 2012	711,299	0	53,952	765,251	625,826		6,258	9	6,267	272	118	1,199	5	4,673	1,849	2,824	
2012 - 2013	725,525	0	53,952	779,477	640,052		6,401	9	6,410	288	121	1,224	8	4,769	1,897	2,872	
2013 - 2014	740,036	0	53,952	793,987	654,563		6,546	9	6,555	304	124	1,250	10	4,866	1,946	2,920	
2014 - 2015	754,836	0	53,952	808,788	669,363		6,694	9	6,703	321	127	1,276	13	4,966	1,996	2,970	
2015 - 2016	769,933	0	53,952	823,885	684,460		6,845	9	6,854	338	129	1,303	16	5,067	2,047	3,020	
2016 - 2017	785,332	0	53,952	839,283	699,859		6,999	9	7,008	355	132	1,331	19	5,171	2,099	3,072	
2017 - 2018	801,039	0	53,952	854,990	715,566		7,156	9	7,165	373	135	1,358	22	5,277	2,152	3,124	
2018 - 2019	817,059	0	53,952	871,011	731,586		7,316	9	7,325	391	138	1,387	25	5,384	2,206	3,178	
2019 - 2020	833,400	0	53,952	887,352	747,927		7,479	9	7,488	409	141	1,416	28	5,494	2,261	3,233	
2020 - 2021	850,068	0	53,952	904,020	764,595		7,646	9	7,655	428	145	1,445	33	5,604	2,318	3,286	
2021 - 2022	867,070	0	53,952	921,021	781,597		7,816	9	7,825	447	148	1,476	39	5,715	2,375	3,340	
2022 - 2023	884,411	0	53,952	938,363	798,938		7,989	9	7,999	466	151	1,506	45	5,829	2,434	3,395	
2023 - 2024	902,099	0	53,952	956,051	816,626		8,166	9	8,175	486	154	1,538	51	5,946	2,494	3,452	
2024 - 2025	920,141	0	53,952	974,093	834,668		8,347	9	8,356	507	158	1,570	57	6,064	2,555	3,509	
2025 - 2026	938,544	0	53,952	992,496	853,071		8,531	9	8,540	527	161	1,603	64	6,185	2,617	3,568	
2026 - 2027	957,315	0	53,952	1,011,267	871,842		8,718	9	8,728	548	165	1,636	70	6,308	2,680	3,628	
2027 - 2028	976,461	0	53,952	1,030,413	890,988		8,910	9	8,919	570	168	1,670	77	6,434	2,745	3,689	
2028 - 2029	995,991	0	53,952	1,049,942	910,518		9,105	9	9,114	592	172	1,705	83	6,563	2,811	3,751	
2029 - 2030	1,015,911	0	53,952	1,069,862	930,438		9,304	9	9,314	614	176	1,740	90	6,693	2,879	3,815	
2030 - 2031	1,036,229	0	53,952	1,090,180	950,756		9,508	9	9,517	637	180	1,776	97	6,827	2,947	3,880	
2031 - 2032	1,056,953	0	53,952	1,110,905	971,480		9,715	9	9,724	660	184	1,813	104	6,963	3,017	3,946	
2032 - 2033	1,078,092	0	53,952	1,132,044	992,619		9,926	9	9,935	684	188	1,850	111	7,102	3,089	4,013	
2033 - 2034	1,099,654	0	53,952	1,153,606	1,014,181		10,142	9	10,151	708	192	1,889	119	7,244	3,162	4,082	
2034 - 2035	1,121,647	0	53,952	1,175,599	1,036,174		10,362	9	10,371	733	196	1,928	126	7,388	3,236	4,152	
2035 - 2036	1,144,080	0	53,952	1,198,032	1,058,607		10,586	9	10,595	758	200	1,967	134	7,536	3,312	4,224	
2036 - 2037	1,166,962	0	53,952	1,220,913	1,081,489		10,815	9	10,824	784	204	2,008	142	7,686	3,389	4,297	
2037 - 2038	1,190,301	0	53,952	1,244,253	1,104,828		11,048	9	11,057	810	209	2,049	150	7,839	3,468	4,371	
2038 - 2039	1,214,107	0	53,952	1,268,059	1,128,634		11,286	9	11,295	837	213	2,092	158	7,996	3,549	4,447	
2039 - 2040	1,238,389	0	53,952	1,292,341	1,152,916		11,529	9	11,538	864	218	2,135	166	8,155	3,631	4,524	

- (1) Prior Year Real Property increased by 2 percent per year.
- (2) Reflect new value from a 57,000 square foot office building that is under construction.
- (3) Includes the value of personal property and state-assessed railroad and non-unitary property.
- (4) Allocations to the City of Roseville, Placer County and the Cemetery District.
- (5) Required payments since the Agency deleted the debt limit from the Plan.
- (6) Payments per agreement with Placer County and the School Districts.

## APPENDIX C

### SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES

The following is a brief summary of certain provisions of the Indenture of Trust (the "Indenture") authorizing the Series 2006A Bonds and the Series 2006A-T Bonds (the "Non-Housing Indenture") and the Indenture of Trust authorizing the Series 2006H-T Bonds (the "Housing Indenture") that are not otherwise described in the text of this Official Statement. Such summary is not intended to be definitive, and reference is made to the actual Indenture (copies of which may be obtained from the Agency) for the complete terms thereof.

#### THE NON-HOUSING INDENTURE

##### Definitions

Except as otherwise defined in this summary, the terms previously defined in this Official Statement have the respective meanings previously given. In addition, the following terms have the following meanings when used in this summary:

"Additional Revenues" means, as of the date of calculation, the amount of Tax Revenues which, as shown in the Report, are estimated to be receivable by the Agency within the Fiscal Year following the Fiscal Year in which such calculation is made, as a result of increases in the assessed valuation of taxable property in the Project Area due to (i) construction which has been completed but which is not then reflected on the tax rolls, as identified by an Independent Redevelopment Consultant; and (ii) inflation at an assumed annual inflation rate of two percent (2%). For purposes of this definition, the term "increases in the assessed valuation" means the amount by which the assessed valuation of taxable property in the Project Area is estimated to increase above the assessed valuation of taxable property in the Project Area as of the date on which such calculation is made.

"Annual Debt Service" means, for each Bond Year, the sum of (a) the interest payable on the Outstanding Bonds in such Bond Year, assuming that the Outstanding Serial Bonds are retired as scheduled and that the Outstanding Term Bonds are redeemed from mandatory sinking account payments as scheduled, (b) the principal amount of the Outstanding Serial Bonds payable by their terms in such Bond Year, and (c) the principal amount of the Outstanding Term Bonds scheduled to be paid or redeemed from mandatory sinking account payments in such Bond Year. Annual Debt Service includes payments, for each Bond Year, on any additional Parity Debt.

For purposes of this definition, all Variable Rate Parity Debt shall be deemed to bear interest as follows:

- (a) Except as provided in (c) below, or as otherwise required by any municipal bond insurer insuring any Parity Debt, Variable Rate Parity Debt the interest on which is excludable from gross income for purposes of federal income taxation under the applicable provisions of the Code, shall be assumed to bear interest at 100% of the most recently published Bond Buyer "Revenue Bond Index" (or comparable index if no longer published);

(b) Except as provided in (c) below, or as otherwise required by any other municipal bond insurer insuring any Parity Debt, Variable Rate Parity Debt the interest on which is not excludable from gross income for purposes of federal income taxation under the applicable provisions of the Code, shall be assumed to bear interest at the interest rate on direct U.S. Treasury Obligations with comparable maturities, plus 50 basis points; and

(c) Subject to the approval of any municipal bond insurer insuring any Parity Debt, in the case of Variable Rate Parity Debt with respect to which the Agency has entered into a Swap Agreement meeting the requirements of the Indenture, the interest rate borne by such Variable Rate Parity Debt shall be deemed to be the interest rate payable by the Agency under such Swap Agreement (but only for the term of the Swap Agreement), plus the Basis Differential Amount.

For purposes of such calculation, there shall be excluded the principal of any Bonds (including any Parity Debt), together with the interest to accrue thereon, in the event and to the extent that the proceeds of such Bonds (including any Parity Debt) are deposited in an escrow fund and are held in cash or are invested solely in Permitted Investments and from which amounts may not be released to the Agency unless the amount of Tax Revenues for the current Fiscal Year (as evidenced in the written records of the County), at least equal the requirements for issuance of Parity Debt.

"Basis Differential Amount" means the amount equal to the outstanding principal amount of the Variable Rate Parity Debt related to a Swap Agreement multiplied by the greater of (i) 0.15% per annum, (ii) the actual per annum interest rate paid on the applicable Variable Rate Parity Debt in the previous Bond Year less the actual resulting per annum interest rate required to be paid by a counterparty to the Agency with respect to the related notional amount under a parity Swap Agreement in the previous Bond Year without regard to netting of payments payable by the Agency to the counterparty thereunder, or (iii) such other amount required by the any municipal bond insurer insuring Parity Debt; provided, however, that so long as a Swap Agreement is based on the BMA Municipal Swap Index (in the case of tax exempt Variable Rate Parity Debt), 100% of LIBOR (in the case of taxable Variable Rate Parity Debt) or the actual rate of the related Variable Rate Parity Debt, the Basis Differential Amount shall be zero.

"Bond" or "Bonds" means, collectively, the Redevelopment Agency of the City of Roseville, Roseville Redevelopment Project Tax Allocation Bonds, Series 2002, the Redevelopment Agency of the City of Roseville, Roseville Redevelopment Project Tax Allocation Bonds, Series 2006A, the Redevelopment Agency of the City of Roseville, Roseville Redevelopment Project Taxable Tax Allocation Bonds, Series 2006A-T, and, when the context requires, any additional Parity Debt.

"Bond Counsel" means (a) Jones Hall, A Professional Law Corporation, or (b) any other attorney or firm of attorneys appointed by or acceptable to the Agency, of nationally-recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Code.

"Bond Proceeds Fund" means the fund by that name established and held by the Trustee pursuant to the Indenture.

"Bond Year" means, any twelve-month period beginning on September 2 in any year and ending on the next succeeding September 1, both dates inclusive.

"Business Day" means a day of the year (other than a Saturday or Sunday) on which banks in the State of California are not required or permitted to be closed, and on which the New York Stock Exchange is not closed.

"City" means the City of Roseville, a city duly organized and existing under the laws of the State.

"Closing Date" means the date on which the Bonds are delivered by the Agency to the original purchaser thereof.

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

"Continuing Disclosure Certificate" means that certain Continuing Disclosure Certificate executed by the Agency dated as of the Closing Date, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the Agency relating to the authorization, issuance, sale and delivery of the Bonds, including but not limited to printing expenses, bond insurance premiums, rating agency fees, filing and recording fees, initial fees and charges and first annual administrative fee of the Trustee and fees and expenses of its counsel, fees, charges and disbursements of attorneys, financial advisors, accounting firms, consultants and other professionals, fees and charges for preparation, execution and safekeeping of the Bonds and any other cost, charge or fee in connection with the original issuance of the Bonds.

"Costs of Issuance Account" means the account by that name established and held by the Trustee pursuant to the Indenture.

"County" means the County of Placer, a county duly organized and existing under the laws of the State.

"Debt Service Fund" means the fund by that name established and held by the Trustee pursuant to the Indenture.

"Defeasance Obligations" means:

- (a) Cash;
- (b) Federal Securities;
- (c) The interest component of Resolution Funding Corporation strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form;
- (d) Pre-refunded municipal bonds rated "Aaa" by Moody's and "AAA" by S&P, provided that, if the issue is rated only by S&P (i.e., there is no Moody's rating), then the pre-refunded municipal bonds must have been pre-refunded with cash, direct U.S.. or U.S. guaranteed obligations, or AAA rated pre-refunded municipals; and

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

"Fair Market Value" means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Tax Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Tax Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Tax Code, or (iii) the investment is a United States Treasury Security--State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt.

"Federal Securities" means any direct, noncallable general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America and CATS and TGRS), or obligations the payment of principal of and interest on which are unconditionally guaranteed by the United States of America.

"Fiscal Year" means any twelve-month period beginning on July 1 in any year and extending to the next succeeding June 30, both dates inclusive, or any other twelve-month period selected and designated by the Agency as its official fiscal year period in writing to the Trustee.

"Independent Accountant" means any accountant or firm of such accountants duly licensed or registered or entitled to practice as such under the laws of the State, appointed by the Agency, and who, or each of whom: (a) is in fact independent and not under domination of the Agency; (b) does not have any substantial interest, direct or indirect, with the Agency; and (c) is not connected with the Agency as an officer or employee of the Agency, but who may be regularly retained to make reports to the Agency.

"Independent Redevelopment Consultant" means any consultant or firm of such consultants appointed by or acceptable to the Agency (who may be an underwriter of bonds of the Agency or the City) and who, or each of whom: (a) is judged by the Agency to have experience in matters relating to the collection of Tax Revenues or otherwise with respect to the financing of Redevelopment Projects; (b) is in fact independent and not under domination of the

Agency; (c) does not have any substantial interest, direct or indirect, with the Agency; and (d) is not connected with the Agency as an officer or employee of the Agency, but who may be regularly retained to make reports to the Agency.

"Insurer" means MBIA Insurance Corporation, a New York stock insurance company incorporated under the laws of the State of New York, including its successor or assignee, as issuer of the bond insurance policy with respect to the Agency's Roseville Redevelopment Project Tax Allocation Bonds, Series 2002, and Ambac Assurance corporation, as the issuer of the bond insurance policy with respect to the Agency's Roseville Redevelopment Project Tax Allocation Bonds, Series 2006A, and the Agency's Roseville Redevelopment Project Taxable Tax Allocation Bonds, Series 2006A-T.

"Interest Account" means the account by that name established and held by the Trustee pursuant to the Indenture.

"Interest Payment Date" means March 1 and September 1 in each year for so long as any of the Bonds remain Outstanding under the Indenture.

"Law" means the Community Redevelopment Law of the State constituting Part 1 of Division 24 of the Health and Safety Code of the State, and the acts amendatory thereof and supplemental thereto.

"Maximum Annual Debt Service" means, as of the date of calculation, the largest Annual Debt Service for the current or any future Bond Year, including payments on any additional Parity Debt, as certified in writing by the Agency to the Trustee. For purposes of such calculation, there shall be excluded the principal of any Bonds (including any Parity Debt), together with the interest to accrue thereon, in the event and to the extent that the proceeds of such Bonds (including any Parity Debt) are deposited in an escrow fund and are held in cash or are invested solely in Permitted Investments and from which amounts may not be released to the Agency unless the amount of Tax Revenues for the current Fiscal Year (as evidenced in the written records of the County), at least equal the requirements for issuance of Parity Debt under the Indenture.

"Moody's" means Moody's Investors Service Inc., of New York, New York, and its successors.

"Outstanding", when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture) all Bonds except: (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) Bonds paid or deemed to have been paid within the meaning of the Indenture, but not including any Bonds paid by the Insurer as provided in the Indenture; and (c) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the Agency pursuant to the Indenture.

"Owner" or "Bondowner" means, with respect to any Bond, the person in whose name the ownership of such Bond shall be registered on the Registration Books.

"Parity Debt" means any additional loans, advances or other indebtedness issued or incurred by the Agency on a parity with the Bonds pursuant to the Indenture.

"Parity Debt Instrument" means any Supplemental Indenture providing for the issuance or incurrence of Parity Debt.

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

"Pass-Through Agreements" mean, collectively, (i) the Agreement dated October 4, 1989, between the Agency and the County pursuant to Health and Safety Code Section 33401; (ii) the Agreement dated January 17, 1990, between the Agency, the City and the Eureka Union School District pursuant to Health and Safety Code Sections 33401 and 33445; (iii) the Agreement dated January 17, 1990, between the Agency, the City and the Placer County Office of Education pursuant to Health and Safety Code Section 33401; (iv) the Agreement dated January 17, 1990, between the Agency, the city and the Roseville City School District pursuant to Health and Safety Code Section 33401; (v) the Agreement dated January 17, 1990, between the Agency, the City and the Roseville Joint Union High School District pursuant to Health and Safety Code Section 33401; and (vi) the Agreement dated January 17, 1990, between the Agency, the City, and the Sierra Joint Community College District pursuant to Health and Safety Code Section 33401; as amended, in each case providing for the payment by the Agency of tax increment revenues pursuant to Section 33401 of the Law.

"Permitted Investments" means any of the following which at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein (provided that the Trustee shall be entitled to rely upon any investment direction from the Agency as conclusive certification to the Trustee that the investments described therein are so authorized under the laws of the State), but only to the extent that the same are acquired at Fair Market Value:

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

- Association; (v) obligations of the Resolution Funding Corporation; and (vi) consolidated system-wide bonds and notes of the Farm Credit System;
- (d) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of at least AAAm-G, AAAm or AAm, and a rating by Moody's of Aaa, Aa1 or Aa2 (such funds may include funds for which the Trustee, its affiliates, parent or subsidiaries provide investment advisory or other management services);
  - (e) Certificates of deposit (including those of the Trustee, its parent and its affiliates) secured at all times by collateral described in (a) or (b) above, which have a maturity not greater than one year from the date of investment and which are issued by commercial banks, savings and loan associations or mutual savings banks whose short-term obligations are rated "A-1+" or better by S&P and "Prime-1" by Moody's, which collateral must be held by a third party and provided that the Trustee must have a perfected first security interest in such collateral;
  - (f) Certificates of deposit, savings accounts, deposit accounts or money market deposits (including those of the Trustee and its affiliates) which are fully insured by FDIC, including BIF and SAIF;
  - (g) Investment agreements, including guaranteed investment contracts, forward purchase agreements reserve fund put agreements and collateralized investment agreements acceptable to the Insurer;
  - (h) Commercial paper rated "Prime-1" by Moody's and "A-1+" or better by S&P;
  - (i) Bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest rating categories assigned by such agencies;
  - (j) Federal funds or bankers acceptances with a maximum term of one year of any bank which an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A3" or better by Moody's, and "A-1+" by S&P;
  - (k) The Local Agency Investment Fund which is administered by the California Treasurer for the investment of funds belonging to local agencies within the State of California, provided for investment of funds held by the Trustee, the Trustee is entitled to make investments and withdrawals in its own name as Trustee; and
  - (l) Shares in a California common law trust (including the California Asset Management Program) established pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State of California which invests exclusively in investments permitted by Section 53601 of Title 5, Division 2, Chapter 4 of the Government Code of the State of California, as it may be amended.

"Plan Limit" means the limitation contained or incorporated in the Redevelopment Plan on the number of dollars of taxes which may be divided and allocated to the Agency pursuant to the Redevelopment Plan.

"Principal Account" means the account by that name established and held by the Trustee pursuant to the Indenture.

"Project Area" means the territory within the Redevelopment Project, as described in the Redevelopment Plan.

"Qualified Reserve Account Credit Instrument" means an irrevocable standby or direct-pay letter of credit or surety bond issued by a commercial bank or insurance company and deposited with the Trustee, provided that all of the following requirements are met at the time of acceptance thereof by the Trustee: (a) the long-term credit rating of such bank or claims paying ability of such insurance company is AAA from S&P or AAA from Moody's or, if rated by A.M. Best & Company, is rated in the highest rating category by A.M. Best & Company; (b) such letter of credit or surety bond has a term of at least 12 months; (c) such letter of credit or surety bond has a stated amount at least equal to the portion of the Reserve Requirement with respect to which funds are proposed to be released; (d) the Trustee is authorized pursuant to the terms of such letter of credit or surety bond to draw thereunder an amount equal to any deficiencies which may exist from time to time in the Interest Account or the Principal Account for the purpose of making payments required pursuant to the Indenture; and (e) the Insurer has given its written consent to the deposit in the Reserve Account of the Qualified Reserve Account Credit Instrument.

"Redemption Account" means the account by that name established and held by the Trustee pursuant to the Indenture.

"Redevelopment Fund" means the fund by that name established and held by the Agency pursuant to the Indenture.

"Redevelopment Plan" means the Redevelopment Plan for the Roseville Redevelopment Project, approved by Ordinance No. 2274 adopted by the City Council of the City on October 18, 1989, as amended by Ordinance No. 2814 adopted by the City Council of the City on September 21, 1994, together with any further amendments thereof heretofore or hereafter duly authorized pursuant to the Law.

"Redevelopment Project" means the Roseville Redevelopment Project as described in the Redevelopment Plan.

"Report" means a document in writing signed by an Independent Redevelopment Consultant and including:

(a) a statement that the person or firm making or giving such Report has read the pertinent provisions of the Indenture to which such Report relates;

(b) a brief statement as to the nature and scope of the examination or investigation upon which the Report is based; and

(c) a statement that, in the opinion of such person or firm, sufficient examination or investigation was made as is necessary to enable said consultant to express an informed opinion with respect to the subject matter referred to in the Report.

"Reserve Account" means the account by that name established and held by the Trustee pursuant to the Indenture.

"Reserve Requirement" means, as of the date of calculation by the Agency, the lesser of (i) the amount of Maximum Annual Debt Service on the Bonds, including any Parity Debt, (ii) ten percent (10%) of the total of the proceeds of the Bonds, including any Parity Debt, or (iii) one hundred and twenty five percent (125%) of average Annual Debt Service on the Bonds, including any Parity Debt; provided, that in no event shall the Agency, in connection with the issuance of Parity Debt, be obligated to deposit an amount in the Reserve Account which is in excess of the amount permitted by the applicable provisions of the Code to be so deposited from the proceeds of tax-exempt bonds.

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

"Serial Bonds" means all Bonds other than Term Bonds.

"Special Fund" means the fund by that name established and held by the Agency.

"State" means the State of California.

"Subordinate Debt" means any loans, advances or indebtedness issued or incurred by the Agency in accordance with the requirements of the Indenture, which are either: (a) payable from, but not secured by a pledge of or lien upon, the Tax Revenues; or (b) secured by a pledge of or lien upon the Tax Revenues which is subordinate to the pledge of and lien upon the Tax Revenues under the Indenture for the security of the Bonds.

"Subordinate Debt Instrument" means any instrument providing for the issuance of Subordinate Debt.

"Swap Agreement" will have the meaning given such term under "Swap Agreements".

"Swap Provider" will have the meaning given such term under "Swap Agreements".

"Tax Revenues" means all taxes pledged and annually allocated within the Plan Limit, following the Closing Date, and paid to the Agency with respect to the Project Area pursuant to Article 6 of Chapter 6 (commencing with Section 33670) of the Law and Section 16 of Article XVI of the Constitution of the State, or pursuant to other applicable State laws, and as provided in the Redevelopment Plan, and all payments, subventions and reimbursements, if any, to the Agency specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations, and including that portion of such taxes otherwise required by Section 33334.3 of the Law to be deposited in the Low and Moderate Income Housing Fund, but only to the extent necessary to repay that portion of the Bonds and that portion of any Parity Debt (including applicable reserves and financing costs) issued to finance or refinance amounts deposited in the Low and Moderate Income Housing Fund for use pursuant to Section 33334.2 of the Law to increase or improve the supply of low and moderate income housing within or of benefit to the Project Area; but excluding all other amounts of such taxes (if any) (i) required to be deposited into the Low and Moderate Income Housing Fund of the Agency pursuant to Section 33334.3 of the Law for increasing and improving the supply of low and moderate income housing, (ii) amounts payable by the State to the Agency under and pursuant to Chapter 1.5 of Part 1 of Division 4 of Title 2 (commencing with Section 16110) of the California Government Code, (iii) amounts payable by the Agency pursuant to Sections 33607.5 and 33607.7 of the Law, except and to the extent that any amounts so payable are payable on a basis subordinate to the payment of debt service on the Bonds, including any Parity Debt, and

(iv) amounts payable pursuant to the Pass-Through Agreements, except and to the extent that any amounts so payable have been subordinated to the payment of debt service on the Bonds, including any Parity Debt.

"Term Bonds" means the Bonds payable from mandatory sinking account payments.

"Variable Rate Parity Debt" means Parity Debt that bears interest at a variable rate (and not a fixed rate to maturity). Notwithstanding any other provisions of the Indenture, Variable Rate Parity Debt may be issued only upon receipt of the prior written consent of any municipal bond insurer insuring any Parity Debt.

"Written Request of the Agency" or "Written Certificate of the Agency" means a request or certificate, in writing signed by the Executive Director or the Secretary of the Agency or the Finance Director of the City, or by any other officer of the Agency or the City duly authorized by the Agency for that purpose.

### **Establishment of Funds and Accounts; Flow of Funds**

Bond Proceeds Fund; Costs of Issuance Account. Amounts deposited in the Bond Proceeds Fund shall be immediately transferred to the Agency for deposit into the Redevelopment Fund. The moneys deposited in the Costs of Issuance Account shall be used and withdrawn by the Trustee from time to time to pay the Costs of Issuance upon submission of a Written Request of the Agency stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said fund. On the date which is six (6) months following the Closing Date, or upon the earlier Written Request of the Agency, all amounts (if any) remaining in the Costs of Issuance Account shall be withdrawn therefrom by the Trustee and transferred to the Agency for deposit in the Redevelopment Fund.

Redevelopment Fund. The moneys in the Redevelopment Fund shall be maintained separate and apart from other moneys of the Agency. The moneys on deposit in the Redevelopment Fund shall be used in the manner provided by the Law solely for the purpose of aiding in financing the Redevelopment Project, including, without limitation, the payment of any unpaid Costs of Issuance. The Agency covenants that no funds on deposit in the Redevelopment Fund shall be applied for any purpose not authorized by the Law.

Special Fund; Deposit of Tax Revenues. There is established in the Indenture another special fund known as the "Special Fund", which is held by the Agency and which is in the Indenture referred to as the "Special Fund". The Agency shall transfer all of the Tax Revenues received in any Bond Year to the Special Fund promptly upon receipt thereof by the Agency, until such time during such Bond Year as the amounts on deposit in the Special Fund equal the aggregate amounts required to be transferred to the Trustee for deposit in such Bond Year (i) with respect to any additional Parity Debt pursuant to the applicable Supplemental Indenture and (ii) into the Interest Account, the Principal Account, the Reserve Account and the Redemption Account in such Bond Year pursuant to the Indenture. If the amount of Tax Revenues available in such Bond Year shall be insufficient to deposit the full amount required to be deposited pursuant to subsections (i) and (ii) of this paragraph, then the Agency shall transfer such Tax Revenues for deposit pro rata based on the full amounts required to be so deposited.

All Tax Revenues received by the Agency during any Bond Year in excess of the amount required to be deposited in the Special Fund as described in the preceding paragraph

shall be released from the pledge, security interest and lien under the Indenture for the security of the Bonds and any additional Parity Debt and may be applied by the Agency for any lawful purpose of the Agency, including but not limited to the payment of Subordinate Debt, or the payment of any rebate amounts due and owing to the United States of America. Additionally, no later than January 5 of each year, the Agency shall release from the Special Fund amounts on deposit therein representing Tax Revenues from the prior Fiscal Year that are in excess of the amounts needed to pay interest on any outstanding Bonds or Parity Debt through the last Interest Payment Date prior to the date the Agency anticipates receiving its first installment of Tax Revenues for the current Fiscal Year. Prior to the payment in full of the principal of and interest and redemption premium (if any) on the Bonds and the payment in full of all other amounts payable under the Indenture, any Supplemental Indenture or Parity Debt Instrument, the Agency shall not have any beneficial right or interest in the moneys on deposit in the Special Fund, except as may be provided in the Indenture and in any Supplemental Indenture or Parity Debt Instrument.

Deposit of Amounts by Trustee. There is hereby established a trust fund to be known as the Debt Service Fund, which shall be held by the Trustee under the Indenture in trust. Moneys in the Special Fund, as provided in the Indenture, shall be transferred by the Agency to the Trustee in the following amounts, at the following times, and deposited by the Trustee in the following respective special accounts, which are hereby established in the Debt Service Fund, and in the following order of priority):

(a) Interest Account. On or before the fifth (5th) Business Day preceding each Interest Payment Date, the Agency shall withdraw from the Special Fund and transfer to the Trustee, for deposit in the Interest Account an amount which when added to the amount contained in the Interest Account on that date, will be equal to the aggregate amount of the interest becoming due and payable on the Outstanding Bonds on such Interest Payment Date. No such transfer and deposit need be made to the Interest Account if the amount contained therein is at least equal to the interest to become due on the next succeeding Interest Payment Date upon all of the Outstanding Bonds. All moneys in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds redeemed prior to maturity pursuant to the Indenture).

(b) Principal Account. On or before the fifth (5th) Business Day preceding September 1 in each year, the Agency shall withdraw from the Special Fund and transfer to the Trustee for deposit in the Principal Account an amount which, when added to the amount then contained in the Principal Account, will be equal to the principal becoming due and payable on the Outstanding Serial Bonds and Outstanding Term Bonds, including pursuant to mandatory sinking account redemption, on the next September 1. No such transfer and deposit need be made to the Principal Account if the amount contained therein is at least equal to the principal to become due on the next September 1 on all of the Outstanding Serial Bonds and maturing Term Bonds. All moneys in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Serial Bonds and of the Term Bonds, including by mandatory sinking account redemption, as the same shall become due and payable.

(c) Reserve Account. In the event that the amount on deposit in the Reserve Account at any time becomes less than the Reserve Requirement, the Trustee shall promptly notify the Agency of such fact. Promptly upon receipt of any such notice, the Agency shall transfer to the Trustee an amount sufficient to maintain the Reserve

Requirement on deposit in the Reserve Account. If there shall then not be sufficient Tax Revenues to transfer an amount sufficient to maintain the Reserve Requirement on deposit in the Reserve Account, the Agency shall be obligated to continue making transfers as Tax Revenues become available in the Special Fund until there is an amount sufficient to maintain the Reserve Requirement on deposit in the Reserve Account. No such transfer and deposit need be made to the Reserve Account so long as there shall be on deposit therein a sum at least equal to the Reserve Requirement. All money in the Reserve Account shall be used and withdrawn by the Trustee solely for the purpose of making transfers to the Interest Account and the Principal Account in such order of priority, in the event of any deficiency at any time in any of such accounts or for the retirement of all the Bonds or Parity Debt then Outstanding, except that so long as the Agency is not in default under the Indenture, any amount in the Reserve Account in excess of the Reserve Requirement shall be withdrawn from the Reserve Account semiannually on or before the fifth (5th) Business Days preceding each March 1 and September 1 by the Trustee and deposited in the Interest Account. All amounts in the Reserve Account on the Business Day preceding the final Interest Payment Date shall be withdrawn from the Reserve Account and shall be transferred either (i) to the Interest Account and the Principal Account, in such order, to the extent required to make the deposits then required to be made pursuant to the Indenture or, (ii) if the Agency shall have caused to be transferred to the Trustee an amount sufficient to make the deposits required by the Indenture, then, at the Written Request of the Agency, to the Agency for deposit by the Agency into the Redevelopment Fund.

The Agency shall have the right at any time to direct the Trustee to release funds from the Reserve Account, in whole or in part, by tendering to the Trustee: (i) a Qualified Reserve Account Credit Instrument, and (ii) an opinion of Bond Counsel stating that neither the release of such funds nor the acceptance of such Qualified Reserve Account Credit Instrument will cause interest on the Bonds to become includable in gross income for purposes of federal income taxation. Upon tender of such items to the Trustee, and upon delivery by the Agency to the Trustee of written calculation of the amount permitted to be released from the Reserve Account (upon which calculation the Trustee may conclusively rely), the Trustee shall transfer such funds from the Reserve Account to the Agency to be deposited in the Redevelopment Fund and used for the purposes thereof. The Trustee shall comply with all documentation relating to a Qualified Reserve Account Credit Instrument as shall be required to maintain such Qualified Reserve Account Credit Instrument in full force and effect and as shall be required to receive payments thereunder in the event and to the extent required to make any payment when and as required under this paragraph (d). Upon the expiration of any Qualified Reserve Account Credit Instrument, the Agency shall either (i) replace such Qualified Reserve Account Credit Instrument with a new Qualified Reserve Account Credit Instrument, or (ii) deposit or cause to be deposited with the Trustee an amount of funds equal to the Reserve Requirement, to be derived from the first available Tax Revenues. If the Reserve Requirement is being maintained partially in cash and partially with a Qualified Reserve Account Credit Instrument, the cash shall be first used to meet any deficiency which may exist from time to time in the Interest Account or the Principal Account for the purpose of making payments required pursuant to the Indenture. If the Reserve Requirement is being maintained with two or more Qualified Reserve Account Credit Instruments, any draw to meet a deficiency which may exist from time to time in the Interest Account or the Principal Account for the purpose of making payments required pursuant to the Indenture shall be pro-rata with respect to each such instrument.

(e) Redemption Account. On or before the Business Day preceding any date on which Bonds are to be optionally redeemed, the Trustee shall withdraw from the Debt Service Fund any amount transferred by the Agency any amount required to be transferred and shall deposit such amount in the Redemption Account, such amount being the amount required to pay the principal of and premium, if any, on the Bonds to be redeemed on such date. All moneys in the Redemption Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of and premium, if any, on the Bonds to be redeemed pursuant on the date set for such redemption. Interest due on Bonds to be redeemed on the date set for redemption shall, if applicable, be paid from funds available therefor in the Interest Account. Notwithstanding the foregoing, at any time prior to giving notice of redemption of any such Bonds, the Trustee may, at the direction of the Agency, apply amounts deposited or otherwise to be deposited in the Redemption Account to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest on Bonds, which is payable from the Interest Account) as shall be directed by the Agency.

### **Rights of Insurer; Consent or Approval of the Insurer**

(a) The following provisions shall govern, notwithstanding anything to the contrary set forth in the Indenture. The rights granted to the Insurer under the Indenture to request, consent to or direct any action are rights granted to the Insurer in consideration of its issuance of the Bond Insurance Policy. In this regard, the Insurer is a third party beneficiary of the Indenture. Any exercise by the Insurer of such rights is merely an exercise of the Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit or on behalf of the Bond Owners. With respect to proceedings relating to Events of Default, the Bond Owner's consent shall not be required in addition to consent of the Insurer where the Insurer was granted such right of consent.

(b) The Insurer shall be deemed to be the sole owner of the Bonds insured by it for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the Bonds insured by it are entitled to take pursuant to the provisions of the Indenture relating to Events of Default and replacement of the Trustee. The Trustee shall take no action except with the consent, or at the direction, of the Insurer. No contract shall be entered into or action taken by which the rights of the Insurer or the security or sources of payment for the Bonds may be impaired or prejudiced, except upon obtaining the prior written consent of the Insurer.

(c) The rights of the Insurer to direct or consent to Agency, Trustee or Bondowner actions under the Indenture shall be suspended during any period in which the Insurer is in default in its payment obligations under the Bond Insurance Policy (except to the extent of amounts previously paid by the Bonds Insurer and due and owing to the Insurer) and shall be of no force or effect in the event the Bond Insurance Policy is no longer in effect or the Insurer asserts that the Bond Insurance Policy is not in effect or the Insurer shall have provided written notice that it waives such rights.

(d) The Insurer shall be deemed to be the Owner of all Bonds insured under the Bond Insurance Policy for the following purposes and provided that the Insurer is not on default under the terms of the Bond Insurance Policy, during the following times under the Indenture: (a) at all times for the purpose of the execution and delivery of a Supplemental Indenture relating to any amendment, change or modification of the Indenture; (b) at all times with respect to the initiation by the Bondowners of any action to be taken by the Trustee at the request of

such Bondowners, which under the Indenture requires the written approval or consent of or permits initiation by the Owners of a specified principal amount of Bonds then Outstanding; and (c) following the occurrence of an Event of Default for all other purposes.

### **Investment of Funds**

Moneys in the Debt Service Fund, the Interest Account, the Principal Account, the Reserve Account, the Redemption Account, the Costs of Issuance Account and the Redevelopment Escrow Fund shall be invested by the Trustee in Permitted Investments as directed by the Agency in the Written Request of the Agency filed with the Trustee at least two (2) Business Days in advance of the making of such investments, except that moneys in the Reserve Account shall not be invested in Permitted Investments having a maturity of more than five (5) years, unless any such Permitted Investment is described in clause (g) of the definition thereof. In the absence of any such Written Request of the Agency, the Trustee shall invest any such moneys in Permitted Investments described in clause (d) of the definition thereof, which by their terms mature prior to the date on which such moneys are required to be paid out under the Indenture. The Trustee shall be entitled to rely conclusively upon the written instructions of the Agency directing investments in Permitted Investments as to the fact that each such investment is permitted by the laws of the State, and shall not be required to make further investigation with respect thereto. With respect to any restrictions set forth in the above list which embody legal conclusions (e.g., the existence, validity and perfection of security interests in collateral), the Trustee shall be entitled to rely conclusively on an opinion of counsel or upon a representation of the provider of such Permitted Investment obtained at the Agency's expense. Moneys in the Special Fund and the Redevelopment Fund may be invested by the Agency in any obligations in which the Agency is legally authorized to invest its funds. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account. All interest or gain derived from the investment of amounts in any of the funds or accounts held by the Trustee under the Indenture shall be deposited in the Interest Account; *provided, however*, that all interest or gain from the investment of amounts in the Reserve Account shall be deposited by the Trustee in the Interest Account only to the extent not required to cause the balance in the Reserve Account to equal the Reserve Requirement. The Trustee may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee shall incur no liability for losses arising from any investments made at the direction of the Agency or otherwise made in accordance with this paragraph. For investment purposes only, the Trustee may commingle the funds and accounts established under the Indenture, but shall account for each separately.

### **Issuance of Parity Debt**

In addition to the Bonds, the Agency may, by Supplemental Indenture, issue or incur other loans, advances or indebtedness payable from Tax Revenues on a parity with the Bonds to finance redevelopment activities with respect to the Project Area in such principal amount as shall be determined by the Agency. The Agency may issue and deliver any such Parity Debt subject to the following specific conditions all of which are made conditions precedent to the issuance and delivery of such Parity Debt:

- (a) No event of default under the Indenture, under any Parity Debt Instrument or under any Subordinate Debt Instrument shall have occurred and be continuing, and the Agency shall otherwise be in compliance with all covenants set forth in the Indenture;
- (b) The Tax Revenues estimated to be received for the then current Fiscal Year, based on the most recent assessed valuation of property in the Project Area

(excluding taxes attributable to a tax rate levied by a taxing agency after January 1, 1989 for the purpose of producing revenues in an amount sufficient to make annual repayments of the principal of, and the interest on, any bonded indebtedness of such taxing agency), as evidenced in writing from the County Assessor or other appropriate official of the County, plus, at the option of the Agency, the Additional Revenues, shall be at least equal to one hundred twenty five percent (125%) of Maximum Annual Debt Service, including annual debt service on the proposed Parity Debt;

(c) The amount on deposit in the Reserve Account shall be increased to the Reserve Requirement taking into account the Parity Debt to be issued;

(d) Principal with respect to such Parity Debt will be required to be paid on September 1 in any year in which such principal is payable;

(e) The aggregate amount of the principal of and interest on all Outstanding Bonds, including Outstanding Parity Debt, and Subordinate Debt coming due and payable following the issuance of such Parity Debt shall not exceed the maximum amount of Tax Revenues permitted under the Plan Limit to be allocated and paid to the Agency following the issuance of such Parity Debt as shall be confirmed at the time of the issuance of such Parity Debt and as shall be thereafter confirmed at least annually by the Agency in a written accounting to the Trustee and the Insurer. The Agency shall provide for the deposit of Tax Revenues into an escrow held by the Trustee and pledged to the payment of the Bonds in the event and to the extent it determines, based on the annual calculation provided for in the preceding sentence, that remaining Debt Service payable on the Bonds, including any Parity Debt, exceeds ninety-five percent (95%) of the amount of Tax Revenues then remaining to be allocated and paid to the Agency under the Plan Limit. The Agency shall apply amounts on deposit in such escrow deposit solely to the purchase or redemption of Bonds, including such Parity Debt; and

(f) The Agency shall deliver to the Trustee a Written Certificate of the Agency certifying that the conditions precedent to the issuance of such Parity Debt set forth in subsections (a) and (b) above have been satisfied and accompanied by a written Report of an Independent Redevelopment Consultant evidencing that the condition set forth in subsection (b) above has been satisfied.

### **Issuance of Subordinate Debt**

The Agency may issue or incur such Subordinate Debt subject to the following specific conditions precedent:

(a) The Agency shall be in compliance with all covenants set forth in the Indenture and all Supplemental Indentures;

(b) If, and to the extent, such Subordinate Debt is payable from Tax Revenues within the then existing limitation on the amount of Tax Revenues allocable and payable to the Agency under the Redevelopment Plan, then the aggregate amount of the principal of and interest to accrue on all Outstanding Bonds, Parity Debt and Subordinate Debt coming due and payable following the issuance of such Subordinate Debt shall not exceed the maximum amount of Tax Revenues permitted under the Plan Limit to be allocated and paid to the Agency following the issuance of such Subordinate Debt; and

(c) The Agency shall deliver to the Trustee and the Insurer a Written Certificate of the Agency certifying that the conditions precedent to the issuance of such Subordinate Debt described above have been satisfied.

### **Swap Agreements**

Without meeting the requirements described above under “Issuance of Parity Debt” or “Issuance of Subordinate Debt”, the Agency may, with the consent of any municipal bond insurer insuring any Parity Debt, enter into one or more interest rate swap agreements (“Swap Agreements”) with respect to Variable Rate Parity Debt, under which the Agency “swaps” the variable rate of interest payable on the Variable Rate Parity Debt for a fixed rate of interest, in a notional amount equal to or less than the principal amount of such Variable Rate Parity Debt to which the Swap Agreement applies, subject to the following conditions:

(a) The counterparty under the Swap Agreement (the “Swap Provider”), or the entity issuing the credit instrument securing the counterparty payments of the Swap Provider, must be rated at least “AA-”/“Aa3” or better by Standard & Poor’s Ratings Services and Moody’s Investors Service (the “Initial Rating Requirement”).

(b) Assuming satisfaction of the Initial Rating Requirement, and thereafter as long as the long term indebtedness of the Swap Provider or the claims paying ability of the Swap Provider, or the long term indebtedness or the claims paying ability of the entity issuing the credit instrument securing the counterparty payments of the Swap Provider, does not fall below BBB or Baa2 by either Standard & Poor’s or Moody’s (the “Minimum Rating Requirement”), all interest rate assumptions for purposes of determining Annual Debt Service and Maximum Annual Debt Service may be based upon the synthetic fixed interest rate under the Swap Agreement, plus the Basis Differential.

In the event of a failure to maintain a Swap Provider holding the Minimum Rating Requirement or to replace any such Swap Provider by another Swap Provider which holds the Initial Rating Requirement within ten business days after the Swap Provider’s rating falls below BBB or Baa2, the Swap Agreement will no longer be included in the calculation of Annual Debt Service.

The Agency's obligation to make payments under a Swap Agreement entered into in connection with the issuance of Variable Rate Parity Debt and meeting the conditions described in this section may, at the option of the Agency, be on a parity with the obligation of the Agency to pay debt service on the Series 2006A Bonds and all other outstanding Parity Debt.

### **Certain Other Covenants of the Agency**

Limitation on Additional Indebtedness; Against Encumbrances. The Agency hereby covenants that, so long as the Bonds are Outstanding, the Agency shall not issue any bonds, notes or other obligations, enter into any agreement or otherwise incur any indebtedness, which is in any case payable from all or any part of the Tax Revenues, excepting only the Bonds, any Parity Debt and any Subordinate Debt. The Agency will not otherwise encumber, pledge or place any charge or lien upon any of the Tax Revenues or other amounts pledged to the Bonds superior to the pledge and lien in the Indenture created for the benefit of the Bonds.

Plan Limit. The Agency shall manage its fiscal affairs in a manner which ensures that it will have sufficient Tax Revenues available under the Plan Limit in the amounts and at the times

required to enable the Agency to pay the principal of and interest and premium (if any) on the outstanding Bonds and any outstanding Parity Debt when due. The Agency shall, not less frequently than annually, determine whether the aggregate amount of the principal of and interest on all Outstanding Bonds, including Outstanding Parity Debt, and Subordinate Debt coming due and payable, exceeds the maximum amount of Tax Revenues permitted under the Plan Limit to be allocated and paid to the Agency. The Agency shall provide for the deposit of Tax Revenues into an escrow held by the Trustee and pledged to the payment of the Bonds in the event and to the extent it determines, based on the annual calculation provided for in the preceding sentence, that remaining Debt Service payable on the Bonds, including any Parity Debt, and any Subordinate Debt, exceeds ninety-five percent (95%) of the amount of Tax Revenues then remaining to be allocated and paid to the Agency under the Plan Limit. The Agency shall apply amounts on deposit in such escrow solely to the purchase or redemption of Bonds. Such calculation shall be included in the annual report filed pursuant to the Series 2006 Continuing Disclosure Certificate.

Extension of Payment. The Agency will not, directly or indirectly, extend or consent to the extension of the time for the payment of any Bond or claim for interest on any of the Bonds and will not, directly or indirectly, be a party to or approve any such arrangement by purchasing or funding the Bonds or claims for interest in any other manner. In case the maturity of any such Bond or claim for interest shall be extended or funded, whether or not with the consent of the Agency, such Bond or claim for interest so extended or funded shall not be entitled, in case of default under the Indenture, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which shall not have been so extended or funded.

Payment of Claims. The Agency will pay and discharge, or cause to be paid and discharged, any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the Tax Revenues or any part thereof, or upon any funds held by the Trustee pursuant to the Indenture, if such lien or charge might impair the security of the Bonds. Nothing in the Indenture will require the Agency to make any such payment so long as the Agency in good faith contests the validity of said claims.

Books and Accounts; Financial Statements. The Agency will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Agency and the City, in which complete and correct entries are made of all transactions relating to the Tax Revenues and the Special Fund. Such books of record and accounts will at all times during business hours be subject to the inspection of the Insurer and the Owners of not less than ten percent 10% in aggregate principal amount of the Bonds then outstanding, or their representatives authorized in writing.

The Agency will cause to be prepared, within one hundred and eighty (180) days after the close of each Fiscal Year so long as the Bonds are Outstanding, complete audited financial statements with respect to such Fiscal Year showing the Tax Revenues, all disbursements of Tax Revenues and the financial condition of the Redevelopment Project, including the balances in all funds and accounts relating to the Redevelopment Project, as of the end of such Fiscal Year. The Agency shall promptly furnish a copy of such financial statements to the Trustee and the Insurer at no expense and to any Owner upon reasonable request and at the expense of such Owner. In addition, the Agency shall deliver to the Trustee and the Insurer, on or about February 1 annually, a Written Certificate of the Agency and a written certificate or opinion of an Independent Accountant stating that the Agency is in compliance with its obligations under the Indenture.

Payments of Taxes and Other Charges. Except as the otherwise provided in the Indenture, the Agency will pay and discharge, or cause to be paid and discharged, all taxes, service charges, assessments and other governmental charges which may be lawfully imposed upon the Agency or the properties then owned by the Agency in the Redevelopment Project, when the same become due. Nothing contained in the Indenture requires the Agency to make any such payment so long as the Agency in good faith shall contest the validity of said taxes, assessments or charges. The Agency will duly observe and conform with all valid requirements of any governmental authority relative to the Redevelopment Project or any part thereof.

Disposition of Property. The Agency will not participate in the detachment of land from the Project Area or the disposition of any land or real property in the Project Area to anyone which will result in such property becoming exempt from taxation because of public ownership or use or otherwise (except property dedicated for public right-of-way and except property planned for public ownership or use by the Redevelopment Plan in effect on the date of the Indenture) so that such detachment or disposition shall, when taken together with other such detachments or dispositions, (i) aggregate more than ten percent (10%) of the assessed value of property in the Project Area or (ii) would cause the amount of Tax Revenues to be received by the Agency in the succeeding Fiscal Year to fall below 125% of Maximum Annual Debt Service, in either case unless the Insurer shall otherwise consent in writing.

Maintenance of Tax Revenues. The Agency will comply with all requirements of the Law to insure the allocation and payment to it of the Tax Revenues, including without limitation the timely filing of any necessary statements of indebtedness with appropriate officials of the County and the State. The Agency shall not undertake proceedings for amendment of the Redevelopment Plan if such amendment shall result in payments to one of more taxing entities pursuant to Sections 33607.5 and 33607.7 of the Law unless the Agency shall first obtain a written opinion of an Independent Redevelopment Consultant that such payments will not adversely impair the Agency's ability to pay debt service on the Bonds and any Parity Debt. Additionally, the Agency shall to approve any amendment to the Redevelopment Plan which would, in and of itself, cause the amount of Tax Revenues to be received by the Agency in any succeeding Fiscal Year to fall below 125% of Maximum Annual Debt Service without the written consent of the Insurer.

Compliance With Law; Low and Moderate Income Housing Fund. The Agency shall ensure that all activities undertaken by the Agency with respect to the redevelopment of the Project Area are undertaken and accomplished in conformity with all applicable requirements of the Redevelopment Plan and the Law, including, without limitation, duly noticing and holding any public hearing required by either Section 33445 or Section 33679 of the Law prior to application of proceeds of the Bonds to any portion of the Redevelopment Project. Without limiting the generality of the foregoing, the Agency covenants that it shall deposit or cause to be deposited in the Low and Moderate Income Housing Fund established pursuant to Section 33334.3 of the Law, all amounts when, as and if required to be deposited therein pursuant to the Law.

Tax Covenants Relating to the Bonds. The Agency will assure that the proceeds of the Bonds are so used as to cause the Bonds to satisfy the private business tests of section 141(b) of the Code or the private loan financing test of section 141(c) of the Code. The Agency will not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code. The Agency will not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the Bond proceeds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date, would have

caused the Bonds to be "arbitrage bonds" within the meaning of section 148 of the Code. The Agency shall take all actions necessary to assure the exclusion of interest on the Bonds from the gross income of the Owners of the Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the Bonds. **The preceding tax covenants do not apply to the Agency's Roseville Redevelopment Project Taxable Tax Allocation Bonds, Series 2006A-T.**

Continuing Disclosure. The Agency covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Indenture, failure of the Agency to comply with the Continuing Disclosure Certificate shall not be an Event of Default under the Indenture. However, any Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Agency to comply with its obligations under the Indenture. Any notice required to be given pursuant to the provisions of the Continuing Disclosure Certificate shall also be given to the Insurer and to S&P and Moody's.

## **The Trustee**

### Duties, Immunities and Liabilities of Trustee.

(a) The Trustee shall, prior to the occurrence of an Event of Default (as defined below under the heading "Events Of Default"), and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in the Indenture and no implied covenants, duties or obligations shall be read into the Indenture against the Trustee. The Trustee shall, during the existence of any Event of Default (which has not been cured or waived), exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(b) The Agency may remove the Trustee at any time, unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee (i) if at any time requested to do so by the Insurer for any breach of trust set forth in the Indenture or by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or (ii) if at any time the Agency has knowledge that the Trustee shall cease to be eligible in accordance with (e) below, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation. Additionally, the Trustee may be removed at any time at the written request of the Insurer for any breach of trust set forth in the Indenture. In each case such removal shall be accomplished by the giving of written notice of such removal by the Agency to the Trustee, with a copy to the Insurer, whereupon the Agency shall appoint a successor Trustee acceptable to the Insurer by an instrument in writing.

(c) The Trustee may at any time resign by giving written notice of such resignation to the Agency and the Insurer and by giving the Owners and the Insurer notice of such resignation by first class mail, postage prepaid, at their respective addresses shown on the Registration Books. Upon receiving such notice of resignation, the Agency shall promptly appoint a successor Trustee by an instrument in writing.

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and have accepted appointment within forty-five (45) days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Owner (on behalf of such Owner and all other Owners) may petition any court of competent jurisdiction at the expense of the Agency for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under the Indenture shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee under the Indenture.

(e) If an Event of Default occurs with respect to any Bonds of which the Trustee has been given or is deemed to have notice, as provided in the Indenture, then the Trustee shall immediately give written notice thereof, by first-class mail to the Insurer and the Owner of each such Bond, unless such Event of Default shall have been cured before the giving of such notice; provided, however, that unless such Event of Default consists of the failure by the Agency to make any payment when due, the Trustee may elect not to give such notice if and so long as the Trustee in good faith determines that it is in the best interests of the Bond Owners not to give such notice.

(f) The Agency agrees that, so long as any Bonds or Parity Debt are Outstanding, the Trustee appointed under the provisions of the Indenture in succession to the Trustee shall be a financial institution having a trust office in the State, having (or in the case of a corporation or trust company included in a bank holding company system, the related bank holding company shall have) a combined capital and surplus of at least \$75,000,000, and subject to supervision or examination by federal or state authority. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this paragraph (f), the Trustee shall resign immediately in the manner and with the effect specified in the Indenture.

(g) Any Trustee appointed under the provisions of the Indenture in succession to the Trustee shall be first consented to by the Insurer.

No Trustee Liability or Duty. The Trustee shall have no liability or obligation to the Bondowners with respect to the payment of debt service on the Bonds by the Agency or with respect to the observance or performance by the Agency of the other conditions, covenants and terms contained in the Indenture, or with respect to the investment of any moneys in any fund or account established, held or maintained by the Agency pursuant to the Indenture or otherwise.

No provision of the Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Indenture, or in the exercise of any of its rights or powers. The Trustee shall be entitled to interest on all amounts advanced by it at the maximum rate permitted by law.

The Trustee may execute any of the trusts or powers under the Indenture or perform any duties thereunder either directly or by or through agents, attorneys or receivers and the Trustee shall not be responsible for any intentional misconduct or negligence on the part of any agent, attorney or receiver appointed with due care by it under the Indenture.

The Trustee shall have no responsibility, opinion, or liability with respect to any information, statements or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Bonds.

Before taking any action under the Indenture at the request of the Owners, the Trustee may require that a satisfactory indemnity bond be furnished by the Owners for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful misconduct in connection with any action so taken.

Compensation and Indemnification. The Agency shall pay to the Trustee from time to time reasonable compensation for all services rendered under the Indenture and also all reasonable expenses, charges, legal and consulting fees and other disbursements and those of its attorneys (including the allocated costs and disbursement of in-house counsel to the extent such services are not redundant with those provided by outside counsel), agents and employees, incurred in and about the performance of its powers and duties under the Indenture. The Trustee shall have a first lien on the Tax Revenues and all funds and accounts held by the Trustee under the Indenture to secure the payment to the Trustee of all fees, costs and expenses, including reasonable compensation to its experts, attorneys and counsel (including the allocated costs and disbursement of in-house counsel to the extent such services are not redundant with those provided by outside counsel).

### **Amendment of Indenture**

The Indenture and the rights and obligations of the Agency and of the Owners may be modified or amended at any time by a Supplemental Indenture which shall become binding upon adoption without the consent of any Owners or the Insurer (but with notice to the Insurer), to the extent permitted by law, but only for any one or more of the following purposes-

(a) to add to the covenants and agreements of the Agency in the Indenture contained, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or powers in the Indenture reserved to or conferred upon the Agency; or

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

(c) to provide for the issuance of Parity Debt in accordance with the Indenture; or

(d) to amend any provision of the Indenture relating to the requirements of or compliance with the Code, to any extent whatsoever but only if and to the extent such amendment will not adversely affect the exemption from federal income taxation of interest on any of the Bonds, in the opinion of Bond Counsel; or

(e) to comply with the requirements of a provider of a Qualified Reserve Account Credit Instrument.

Except as set forth in the preceding paragraph, the Indenture and the rights and obligations of the Agency and of the Owners may be modified or amended at any time by a Supplemental Indenture which shall become binding when the written consent of the Insurer and the Owners of a majority in aggregate principal amount of the Bonds then Outstanding are

filed with the Trustee. No such modification or amendment shall (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Agency to pay the principal, interest or redemption premiums (if any) at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the Insurer or the Owner of such Bond, or (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification. In no event shall any Supplemental Indenture modify any of the rights or obligations of the Trustee without its prior written consent. In no event shall any Supplemental Indenture modify any of the rights or obligations of the Insurer without its prior written consent.

## **Events of Default and Remedies**

Events of Default. The following events constitute Events of Default under the Indenture:

(a) if default shall be made by the Agency in the due and punctual payment of the principal of or interest or redemption premium (if any) on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by declaration or otherwise;

(b) if default shall be made by the Agency in the observance of any of the covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, other than a default described in the preceding clause (a), and such default shall have continued for a period of sixty (60) days following receipt by the Agency of written notice from the Trustee or the Insurer or written notice from any Owner (with a copy of said notice delivered to the Trustee and the Insurer) of the occurrence of such default provided that if in the reasonable opinion of the Agency the failure stated in the notice can be corrected, but not within such 60 day period, such failure will not constitute an event of default if corrective action is instituted by the Agency (with the prior written consent of the Trustee) within such 60 day period and the Agency thereafter diligently and in good faith cures such failure in a reasonable period of time as approved by the Insurer; or

(c) If the Agency files a petition seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction will approve a petition by the Agency seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or, if under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction will approve a petition by the Agency, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or, if under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction will assume custody or control of the Agency or of the whole or any substantial part of its property.

If an Event of Default has occurred under the Indenture and is continuing, the Trustee, with the prior written consent of the Insurer, may, and, if requested in writing by the Insurer or the Owners of a majority in aggregate principal amount of the Bonds then Outstanding the Trustee shall, (a) declare the principal of the Bonds, together with the accrued interest thereon, to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything in the Indenture or in the Bonds to the contrary notwithstanding, and (b) if the Insurer shall have provided its written consent, the Trustee shall, subject to receiving appropriate indemnification, exercise any other remedies available to the Trustee and the Bond Owners in law or at equity.

Immediately upon receiving notice or actual knowledge of the occurrence of an Event of Default, the Trustee shall give notice of such Event of Default to the Insurer and to the Agency by telephone promptly confirmed in writing. Such notice shall also state whether the principal of the Bonds shall have been declared to be or have immediately become due and payable. With respect to any Event of Default described in clauses (a) or (c) above the Trustee shall, and with respect to any Event of Default described in clause (b) above the Trustee in its sole discretion may, also give such notice to the Owners by mail, which shall include the statement that interest on the Bonds shall cease to accrue from and after the date, if any, on which the Trustee shall have declared the Bonds to become due and payable pursuant to the preceding paragraph (but only to the extent that principal and any accrued, but unpaid, interest on the Bonds is actually paid on such date).

This provision, however, is subject to the condition that if, at any time after the principal of the Bonds shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Agency shall, with the written consent of the Insurer, deposit with the Trustee a sum sufficient to pay all principal on the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, with interest on such overdue installments of principal and interest (to the extent permitted by law), and the reasonable fees and expenses of the Trustee, (including the allocated costs and disbursements of its in-house counsel to the extent such services are not redundant with those provided by outside counsel) and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Trustee shall promptly give written notice of the foregoing to the Insurer and the Owners of all Bonds then Outstanding, and with the prior written approval of the Insurer (or the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding if the Insurer is, at such time, in default of its payment obligations under the Bond Insurance Policy) may and, upon the direction of the Insurer, shall, on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences. However, no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon.

Application of Funds Upon Acceleration. All of the Tax Revenues and all sums in the funds and accounts established and held by the Trustee under the Indenture upon the date of the declaration of acceleration as described above, and all sums thereafter received by the Trustee under the Indenture, shall be applied by the Trustee in the following order upon presentation of the several Bonds, and the stamping thereon of the payment if only partially paid, or upon the surrender thereof if fully paid:

First, to the payment of the fees, costs and expenses of the Trustee in declaring such Event of Default and in exercising the rights and remedies set forth in the Indenture, including reasonable compensation to its agents, attorneys (including the allocated costs and disbursements of its in-house counsel to the extent such services are not redundant with those provided by outside counsel) and counsel and any outstanding fees, expenses of the Trustee; and

Second, to the payment of the whole amount then owing and unpaid upon the Bonds for principal and interest, as applicable, with interest on the overdue principal and installments of interest at the net effective rate then borne by the Outstanding Bonds (to the extent that such interest on overdue installments of principal and interest shall have

been collected), and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such principal and interest without preference or priority, ratably to the aggregate of such principal and interest.

Power of Trustee to Control Proceedings. In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties under the Indenture, whether upon its own discretion with the consent of the Insurer or upon the request of the Owners of a majority in principal amount of the Bonds then Outstanding, with the consent of the Insurer, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; *provided, however,* that the Trustee shall not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of a majority in principal amount of the Outstanding Bonds under the Indenture or by the Insurer opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation.

Limitation on Owner's Right to Sue. No Owner of any Bond issued under the Indenture shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Indenture, unless (a) such Owner shall have previously given to the Agency, the Trustee and the Insurer written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of all the Bonds then Outstanding, with the prior written consent of the Insurer, shall have made written request upon the Trustee to exercise the powers granted or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

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

The Insurer Deemed Sole Owner; Payments to the Insurer. So long as the Insurer shall be in compliance with its payment obligations under the Bond Insurance Policy, the Insurer shall be deemed to be the sole owner of the Bonds for purposes of all provisions relating to an Event of Default with respect to the Bonds, and the Trustee shall take no action except with the consent, or at the direction, of the Insurer. The Insurer shall be included as a party in interest in any proceedings relating to the Bonds and as a party entitled to (1) notify the Trustee of the occurrence of an Event Default and (2) request the Trustee to intervene in judicial proceedings that affect the Bonds or the security therefor.

(b) The Agency shall, to the extent permitted by law, pay or reimburse the Insurer for any and all charges, fees, costs and expenses which the Insurer may reasonably pay or incur in connection with the pursuit of any remedies under the Indenture or the enforcement of the

Indenture or otherwise afforded by law or equity other than resulting from the failure of the Insurer to honor its obligations under the Bond Insurance Policy. The Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Indenture.

(c) Payments required to be made to the Insurer shall be payable solely from Tax Revenues and other amounts pledged under the Indenture and shall be paid (i) prior to an Event of Default after required deposits to the Revenue Fund and (ii) on and after an Event of Default, with respect to amounts other than principal and interest on the Bonds, on a priority immediately following payments to the Trustee for expenses.

Determination of Percentage of Bond Owners. Whenever in the Indenture the consent, direction or other action is required or permitted to be given or taken by a percentage of the Owners of an aggregate principal amount of Outstanding Bonds (including by the Owners of a majority in aggregate principal amount of the Outstanding Bonds), such percentage shall be calculated on the basis of the principal amount of the Outstanding Bonds, determined as of the next succeeding Interest Payment Date.

### **Defeasance of Bonds**

The Agency may pay and discharge the indebtedness on any Bonds in any one or more of the following ways:

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

(ii) by irrevocably depositing with the Trustee or an escrow agent, in trust, at or before maturity, money which, together with the available amounts then on deposit in the funds and accounts established pursuant to the Indenture, is fully sufficient to pay all or the applicable portion of Outstanding Bonds, including all principal, interest and redemption premiums, as applicable, or;

(iii) by irrevocably depositing with the Trustee or an escrow agent, in trust, Defeasance Obligations in such amount as an Independent Accountant shall determine will, together with the interest to accrue thereon and available moneys then on deposit in the funds and accounts established pursuant to the Indenture, be fully sufficient to pay and discharge the indebtedness on all Bonds or the applicable portion thereof (including all principal, interest and redemption premiums) at or before maturity;

and, if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given pursuant to the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice, then, at the election of the Agency, and notwithstanding that any Bonds shall not have been surrendered for payment, the pledge of the Tax Revenues and other funds provided for in the Indenture and all other obligations of the Trustee and the Agency under the Indenture shall cease and terminate with respect to all Outstanding Bonds or, if applicable, with respect to that portion of the Bonds which has been paid and discharged, except only (a) the covenants of the Agency with respect to the Code, (b) the obligation of the Trustee to transfer and exchange Bonds, (c) the obligations of the Agency under the Indenture, and (d) the obligation of the Agency to pay or cause to be paid to the Owners (or the Insurer), from the amounts so deposited with the Trustee, all sums due thereon and to pay the Trustee and the Insurer all fees, expenses and costs of the Trustee. In the event

the Agency shall, pursuant to the foregoing provision, pay and discharge any portion or all of the Bonds then Outstanding, the Trustee shall be authorized to take such actions and execute and deliver to the Agency all such instruments as may be necessary or desirable to evidence such discharge, including, without limitation, selection by lot of Bonds of any maturity of the Bonds that the Agency has determined to pay and discharge in part.

In the case of a defeasance or payment of all of the Bonds Outstanding, any funds thereafter held by the Trustee which are not required for said purpose or for payment of amounts due the Trustee shall be paid over to the Agency.

Notwithstanding anything in the Indenture to the contrary, in the event that the principal and/or interest due of the Bonds is paid by the Insurer pursuant to the Bond Insurance Policy, the Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Agency, and the assignment and pledge of Tax Revenues and other assets under the Indenture and all covenants, agreements and other obligations of the Agency to the Bond Owners so paid shall continue to exist and shall run to the benefit of Insurer, and the Insurer shall be subrogated to the rights of such Bond Owners.

## THE HOUSING INDENTURE

### Definitions

Except as otherwise defined in this summary, the terms previously defined in this Official Statement have the respective meanings previously given. In addition, the following terms have the following meanings when used in this summary:

"Additional Revenues" means, as of the date of calculation, the amount of Housing Tax Revenues which, as shown in the Report, are estimated to be receivable by the Agency within the Fiscal Year following the Fiscal Year in which such calculation is made, as a result of increases in the assessed valuation of taxable property in the Project Area due to (i) construction which has been completed but which is not then reflected on the tax rolls, as identified by an Independent Redevelopment Consultant; and (ii) inflation at an assumed annual inflation rate of two percent (2%). For purposes of this definition, the term "increases in the assessed valuation" means the amount by which the assessed valuation of taxable property in the Project Area is estimated to increase above the assessed valuation of taxable property in the Project Area as of the date on which such calculation is made.

"Annual Debt Service" means, for each Bond Year, the sum of (a) the interest payable on the Outstanding Bonds in such Bond Year, assuming that the Outstanding Serial Bonds are retired as scheduled and that the Outstanding Term Bonds are redeemed from mandatory sinking account payments as scheduled, (b) the principal amount of the Outstanding Serial Bonds payable by their terms in such Bond Year, and (c) the principal amount of the Outstanding Term Bonds scheduled to be paid or redeemed from mandatory sinking account payments in such Bond Year. Annual Debt Service includes payments, for each Bond Year, on any additional Parity Debt.

For purposes of this definition, all Variable Rate Parity Debt shall be deemed to bear interest as follows:

- (a) Except as provided in (c) below, Variable Rate Parity Debt the interest on which is excludable from gross income for purposes of federal income taxation under the

applicable provisions of the Code, shall be assumed to bear interest at 100% of the most recently published Bond Buyer "Revenue Bond Index" (or comparable index if no longer published);

(b) Except as provided in (c) below, Variable Rate Parity Debt the interest on which is not excludable from gross income for purposes of federal income taxation under the applicable provisions of the Code, shall be assumed to bear interest at the interest rate on direct U.S. Treasury Obligations with comparable maturities, plus 50 basis points; and

(c) In the case of Variable Rate Parity Debt with respect to which the Agency has entered into a Swap Agreement meeting the requirements of the Indenture, the interest rate borne by such Variable Rate Parity Debt shall be deemed to be the interest rate payable by the Agency under such Swap Agreement (but only for the term of the Swap Agreement), plus the Basis Differential Amount.

For purposes of such calculation, there shall be excluded the principal of any Bonds (including any Parity Debt), together with the interest to accrue thereon, in the event and to the extent that the proceeds of such Bonds (including any Parity Debt) are deposited in an escrow fund and are held in cash or are invested solely in Permitted Investments and from which amounts may not be released to the Agency unless the amount of Housing Tax Revenues for the current Fiscal Year (as evidenced in the written records of the County), at least equal the requirements for issuance of Parity Debt.

"Basis Differential Amount" means the amount equal to the outstanding principal amount of the Variable Rate Parity Debt related to a Swap Agreement multiplied by the greater of (i) 0.15% per annum, or (ii) the actual per annum interest rate paid on the applicable Variable Rate Parity Debt in the previous Bond Year less the actual resulting per annum interest rate required to be paid by a counterparty to the Agency with respect to the related notional amount under a parity Swap Agreement in the previous Bond Year without regard to netting of payments payable by the Agency to the counterparty thereunder; provided, however, that so long as a Swap Agreement is based on the BMA Municipal Swap Index (in the case of tax exempt Variable Rate Parity Debt), 100% of LIBOR (in the case of taxable Variable Rate Parity Debt) or the actual rate of the related Variable Rate Parity Debt, the Basis Differential Amount shall be zero.

"Bond" or "Bonds" means, collectively, the Redevelopment Agency of the City of Roseville, Roseville Redevelopment Project Taxable Tax Allocation Housing Bonds, Series 2006H-T, and, when the context requires, any additional Parity Debt.

"Bond Counsel" means (a) Jones Hall, A Professional Law Corporation, or (b) any other attorney or firm of attorneys appointed by or acceptable to the Agency, of nationally-recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Code.

"Bond Proceeds Fund" means the fund by that name established and held by the Trustee pursuant to the Indenture.

"Bond Year" means, any twelve-month period beginning on September 2 in any year and ending on the next succeeding September 1, both dates inclusive.

"Business Day" means a day of the year (other than a Saturday or Sunday) on which banks in the State of California are not required or permitted to be closed, and on which the New York Stock Exchange is not closed.

"City" means the City of Roseville, a city duly organized and existing under the laws of the State.

"Closing Date" means the date on which the Bonds are delivered by the Agency to the original purchaser thereof.

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

"Continuing Disclosure Certificate" means that certain Continuing Disclosure Certificate executed by the Agency dated as of the Closing Date, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the Agency relating to the authorization, issuance, sale and delivery of the Bonds, including but not limited to printing expenses, bond insurance premiums, rating agency fees, filing and recording fees, initial fees and charges and first annual administrative fee of the Trustee and fees and expenses of its counsel, fees, charges and disbursements of attorneys, financial advisors, accounting firms, consultants and other professionals, fees and charges for preparation, execution and safekeeping of the Bonds and any other cost, charge or fee in connection with the original issuance of the Bonds.

"Costs of Issuance Account" means the account by that name established and held by the Trustee pursuant to the Indenture.

"County" means the County of Placer, a county duly organized and existing under the laws of the State.

"Debt Service Fund" means the fund by that name established and held by the Trustee pursuant to the Indenture.

"Defeasance Obligations" means:

- (a) Cash;
- (b) Federal Securities;
- (c) The interest component of Resolution Funding Corporation strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form;
- (d) Pre-refunded municipal bonds rated "Aaa" by Moody's and "AAA" by S&P, provided that, if the issue is rated only by S&P (i.e., there is no Moody's rating), then the pre-refunded municipal bonds must have been pre-refunded with cash, direct U.S.. or U.S. guaranteed obligations, or AAA rated pre-refunded municipals; and

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

"Federal Securities" means any direct, noncallable general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America and CATS and TGRS), or obligations the payment of principal of and interest on which are unconditionally guaranteed by the United States of America.

"Fiscal Year" means any twelve-month period beginning on July 1 in any year and extending to the next succeeding June 30, both dates inclusive, or any other twelve-month period selected and designated by the Agency as its official fiscal year period in writing to the Trustee.

"Housing Tax Revenues" means that portion of tax increment revenues derived from the Project Area required by Section 33334.3 of the Redevelopment Law to be deposited in the Agency's Low and Moderate Income Housing Fund.

"Independent Accountant" means any accountant or firm of such accountants duly licensed or registered or entitled to practice as such under the laws of the State, appointed by the Agency, and who, or each of whom: (a) is in fact independent and not under domination of the Agency; (b) does not have any substantial interest, direct or indirect, with the Agency; and (c) is not connected with the Agency as an officer or employee of the Agency, but who may be regularly retained to make reports to the Agency.

"Independent Redevelopment Consultant" means any consultant or firm of such consultants appointed by or acceptable to the Agency (who may be an underwriter of bonds of the Agency or the City) and who, or each of whom: (a) is judged by the Agency to have experience in matters relating to the collection of Housing Tax Revenues or otherwise with respect to the financing of Redevelopment Projects; (b) is in fact independent and not under domination of the Agency; (c) does not have any substantial interest, direct or indirect, with the Agency; and (d) is not connected with the Agency as an officer or employee of the Agency, but who may be regularly retained to make reports to the Agency.

"Insurer" means Ambac Assurance Corporation.

"Interest Account" means the account by that name established and held by the Trustee pursuant to the Indenture.

"Interest Payment Date" means March 1 and September 1 in each year for so long as any of the Bonds remain Outstanding under the Indenture.

"Law" means the Community Redevelopment Law of the State constituting Part 1 of Division 24 of the Health and Safety Code of the State, and the acts amendatory thereof and supplemental thereto.

"Maximum Annual Debt Service" means, as of the date of calculation, the largest Annual Debt Service for the current or any future Bond Year, including payments on any additional Parity Debt, as certified in writing by the Agency to the Trustee. For purposes of such calculation, there shall be excluded the principal of any Bonds (including any Parity Debt), together with the interest to accrue thereon, in the event and to the extent that the proceeds of such Bonds (including any Parity Debt) are deposited in an escrow fund and are held in cash or are invested solely in Permitted Investments and from which amounts may not be released to the Agency unless the amount of Housing Tax Revenues for the current Fiscal Year (as evidenced in the written records of the County), at least equal the requirements for issuance of Parity Debt under the Indenture.

"Moody's" means Moody's Investors Service Inc., of New York, New York, and its successors.

"Outstanding", when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture) all Bonds except: (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) Bonds paid or deemed to have been paid within the meaning of the Indenture, but not including any Bonds paid by the Insurer as provided in the Indenture; and (c) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the Agency pursuant to the Indenture.

"Owner" or "Bondowner" means, with respect to any Bond, the person in whose name the ownership of such Bond shall be registered on the Registration Books.

"Parity Debt" means any additional loans, advances or other indebtedness issued or incurred by the Agency on a parity with the Bonds pursuant to the Indenture.

"Parity Debt Instrument" means any Supplemental Indenture providing for the issuance or incurrence of Parity Debt.

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

"Permitted Investments" means any of the following which at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein (provided that the Trustee shall be entitled to rely upon any investment direction from the Agency as conclusive certification to the Trustee that the investments described therein are so authorized under the laws of the State):

- (a) Federal Securities;
- (b) obligations of any of the following federal agencies which obligations represent full faith and credit of the United States of America, including: Export-Import Bank, Farmers Home Administration, General Services

Administration, U.S. Maritime Administration, Small Business Administration, Government National Mortgage Association, U.S. Department of Housing & Urban Development, and Federal Housing Administration;

- (c) bonds, notes or other evidences of indebtedness rated AAA by S&P and Aaa by Moody's issued by Fannie Mae or Freddie Mac with remaining maturities not exceeding three years;
- (d) U.S. dollar denominated deposit accounts (including those with the Trustee or with any affiliate of the Trustee), federal funds and banker's acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of A-1 or A-1+ by S&P and P-1 by Moody's, and maturing no more than 360 days after the date of purchase;
- (e) commercial paper which is rated at the time of purchase in the single highest classification, A-1+ by S&P and P-1 by Moody's and which matures not more than 270 days after the date of purchase;
- (f) investments in a money market fund rated AAAM or AAAM-G or better by S&P, which may include funds for which the Trustee or its affiliates provide investment advisory or other management services;
- (g) any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and (i) which are rated, based on the escrow, in the highest rating category of S&P and Moody's or (ii)(A) which are fully secured as to principal and interest and redemption premium (if any) by a fund consisting only of cash or Federal Securities, which fund may be applied only to the payment of such principal of and interest and redemption premium (if any) in such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates under such irrevocable instructions, as appropriate, and (B) which fund is sufficient, as verified by an independent accountant, to pay principal of and interest and redemption premium (if any) on the bonds or other obligations described in this paragraph on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to above, as appropriate;
- (h) investment agreements approved in writing by the Insurer;
- (i) the Local Agency Investment Fund which is administered by the California Treasurer for the investment of funds belonging to local agencies within the State of California, provided for investment of funds held by the Trustee, the Trustee is entitled to make investments and withdrawals in its own name as Trustee;
- (j) shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the California Government Code which invests exclusively in investments permitted by Section 53635 of Title 5, Division 2,

Chapter 4 of the California Government Code, as it may be amended, including but not limited to the California Asset Management Program (CAMP); and

(k) any other investments permitted in writing by the Insurer.

"Plan Limit" means the limitation contained or incorporated in the Redevelopment Plan on the number of dollars of taxes which may be divided and allocated to the Agency pursuant to the Redevelopment Plan.

"Principal Account" means the account by that name established and held by the Trustee pursuant to the Indenture.

"Project Area" means the territory within the Redevelopment Project, as described in the Redevelopment Plan.

"Qualified Reserve Account Credit Instrument" means an irrevocable standby or direct-pay letter of credit or surety bond issued by a commercial bank or insurance company and deposited with the Trustee, provided that all of the following requirements are met at the time of acceptance thereof by the Trustee: (a) the long-term credit rating of such bank or claims paying ability of such insurance company is AAA from S&P or AAA from Moody's or, if rated by A.M. Best & Company, is rated in the highest rating category by A.M. Best & Company; (b) such letter of credit or surety bond has a term of at least 12 months; (c) such letter of credit or surety bond has a stated amount at least equal to the portion of the Reserve Requirement with respect to which funds are proposed to be released; (d) the Trustee is authorized pursuant to the terms of such letter of credit or surety bond to draw thereunder an amount equal to any deficiencies which may exist from time to time in the Interest Account or the Principal Account for the purpose of making payments required pursuant to the Indenture; and (e) the Insurer has given its written consent to the deposit in the Reserve Account of the Qualified Reserve Account Credit Instrument.

"Redemption Account" means the account by that name established and held by the Trustee pursuant to the Indenture.

"Redevelopment Fund" means the fund by that name established and held by the Agency pursuant to the Indenture.

"Redevelopment Plan" means the Redevelopment Plan for the Roseville Redevelopment Project, approved by Ordinance No. 2274 adopted by the City Council of the City on October 18, 1989, as amended by Ordinance No. 2814 adopted by the City Council of the City on September 21, 1994, together with any further amendments thereof heretofore or hereafter duly authorized pursuant to the Law.

"Redevelopment Project" means the Roseville Redevelopment Project as described in the Redevelopment Plan.

"Report" means a document in writing signed by an Independent Redevelopment Consultant and including:

(a) a statement that the person or firm making or giving such Report has read the pertinent provisions of the Indenture to which such Report relates;

(b) a brief statement as to the nature and scope of the examination or investigation upon which the Report is based; and

(c) a statement that, in the opinion of such person or firm, sufficient examination or investigation was made as is necessary to enable said consultant to express an informed opinion with respect to the subject matter referred to in the Report.

"Reserve Account" means the account by that name established and held by the Trustee pursuant to the Indenture.

"Reserve Requirement" means, as of the date of calculation by the Agency, the lesser of (i) the amount of Maximum Annual Debt Service on the Bonds, including any Parity Debt, (ii) ten percent (10%) of the total of the proceeds of the Bonds, including any Parity Debt, or (iii) one hundred and twenty five percent (125%) of average Annual Debt Service on the Bonds, including any Parity Debt; provided, that in no event shall the Agency, in connection with the issuance of Parity Debt, be obligated to deposit an amount in the Reserve Account which is in excess of the amount permitted by the applicable provisions of the Code to be so deposited from the proceeds of tax-exempt bonds.

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

"Serial Bonds" means all Bonds other than Term Bonds.

"Special Fund" means the fund by that name established and held by the Agency.

"State" means the State of California.

"Subordinate Debt" means any loans, advances or indebtedness issued or incurred by the Agency in accordance with the requirements of the Indenture, which are either: (a) payable from, but not secured by a pledge of or lien upon, the Housing Tax Revenues; or (b) secured by a pledge of or lien upon the Housing Tax Revenues which is subordinate to the pledge of and lien upon the Housing Tax Revenues under the Indenture for the security of the Bonds.

"Subordinate Debt Instrument" means any instrument providing for the issuance of Subordinate Debt.

"Swap Agreement" will have the meaning given such term under "Swap Agreements".

"Swap Provider" will have the meaning given such term under "Swap Agreements".

"Term Bonds" means the Bonds payable from mandatory sinking account payments.

"Variable Rate Parity Debt" means Parity Debt that bears interest at a variable rate (and not a fixed rate to maturity).

"Written Request of the Agency" or "Written Certificate of the Agency" means a request or certificate, in writing signed by the Executive Director or the Secretary of the Agency or the Finance Director of the City, or by any other officer of the Agency or the City duly authorized by the Agency for that purpose.

## **Establishment of Funds and Accounts; Flow of Funds**

Bond Proceeds Fund; Costs of Issuance Account. Amounts deposited in the Bond Proceeds Fund shall be immediately transferred to the Agency for deposit into the Redevelopment Fund. The moneys deposited in the Costs of Issuance Account shall be used and withdrawn by the Trustee from time to time to pay the Costs of Issuance upon submission of a Written Request of the Agency stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said fund. On the date which is six (6) months following the Closing Date, or upon the earlier Written Request of the Agency, all amounts (if any) remaining in the Costs of Issuance Account shall be withdrawn therefrom by the Trustee and transferred to the Agency for deposit in the Redevelopment Fund.

Redevelopment Fund. The moneys in the Redevelopment Fund shall be maintained separate and apart from other moneys of the Agency. The moneys on deposit in the Redevelopment Fund shall be used in the manner provided by the Law solely for the purpose of aiding in financing the Redevelopment Project, including, without limitation, the payment of any unpaid Costs of Issuance. The Agency covenants that no funds on deposit in the Redevelopment Fund shall be applied for any purpose not authorized by the Law.

Special Fund; Deposit of Housing Tax Revenues. There is established in the Indenture another special fund known as the "Special Fund", which is held by the Agency and which is in the Indenture referred to as the "Special Fund". The Agency shall transfer all of the Housing Tax Revenues received in any Bond Year to the Special Fund promptly upon receipt thereof by the Agency, until such time during such Bond Year as the amounts on deposit in the Special Fund equal the aggregate amounts required to be transferred to the Trustee for deposit in such Bond Year (i) with respect to any additional Parity Debt pursuant to the applicable Supplemental Indenture and (ii) into the Interest Account, the Principal Account, the Reserve Account and the Redemption Account in such Bond Year pursuant to the Indenture. If the amount of Housing Tax Revenues available in such Bond Year shall be insufficient to deposit the full amount required to be deposited pursuant to subsections (i) and (ii) of this paragraph, then the Agency shall transfer such Housing Tax Revenues for deposit pro rata based on the full amounts required to be so deposited.

All Housing Tax Revenues received by the Agency during any Bond Year in excess of the amount required to be deposited in the Special Fund as described in the preceding paragraph shall be released from the pledge, security interest and lien under the Indenture for the security of the Bonds and any additional Parity Debt and may be applied by the Agency for any lawful purpose of the Agency, including but not limited to the payment of Subordinate Debt, or the payment of any rebate amounts due and owing to the United States of America. Additionally, no later than January 5 of each year, the Agency shall release from the Special Fund amounts on deposit therein representing Tax Revenues from the prior Fiscal Year that are in excess of the amounts needed to pay interest on any outstanding Bonds or Parity Debt through the last Interest Payment Date prior to the date the Agency anticipates receiving its first installment of Tax Revenues for the current Fiscal Year. Prior to the payment in full of the principal of and interest and redemption premium (if any) on the Bonds and the payment in full of all other amounts payable under the Indenture, any Supplemental Indenture or Parity Debt Instrument, the Agency shall not have any beneficial right or interest in the moneys on deposit in the Special Fund, except as may be provided in the Indenture and in any Supplemental Indenture or Parity Debt Instrument.

Deposit of Amounts by Trustee. There is hereby established a trust fund to be known as the Debt Service Fund, which shall be held by the Trustee under the Indenture in trust. Moneys in the Special Fund, as provided in the Indenture, shall be transferred by the Agency to the Trustee in the following amounts, at the following times, and deposited by the Trustee in the following respective special accounts, which are hereby established in the Debt Service Fund, and in the following order of priority):

(a) Interest Account. On or before the fifth (5th) Business Day preceding each Interest Payment Date, the Agency shall withdraw from the Special Fund and transfer to the Trustee, for deposit in the Interest Account an amount which when added to the amount contained in the Interest Account on that date, will be equal to the aggregate amount of the interest becoming due and payable on the Outstanding Bonds on such Interest Payment Date. No such transfer and deposit need be made to the Interest Account if the amount contained therein is at least equal to the interest to become due on the next succeeding Interest Payment Date upon all of the Outstanding Bonds. All moneys in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds redeemed prior to maturity pursuant to the Indenture).

(b) Principal Account. On or before the fifth (5th) Business Day preceding September 1 in each year, the Agency shall withdraw from the Special Fund and transfer to the Trustee for deposit in the Principal Account an amount which, when added to the amount then contained in the Principal Account, will be equal to the principal becoming due and payable on the Outstanding Serial Bonds and Outstanding Term Bonds, including pursuant to mandatory sinking account redemption, on the next September 1. No such transfer and deposit need be made to the Principal Account if the amount contained therein is at least equal to the principal to become due on the next September 1 on all of the Outstanding Serial Bonds and maturing Term Bonds. All moneys in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Serial Bonds and of the Term Bonds, including by mandatory sinking account redemption, as the same shall become due and payable.

(c) Reserve Account. In the event that the amount on deposit in the Reserve Account at any time becomes less than the Reserve Requirement, the Trustee shall promptly notify the Agency of such fact. Promptly upon receipt of any such notice, the Agency shall transfer to the Trustee an amount sufficient to maintain the Reserve Requirement on deposit in the Reserve Account. If there shall then not be sufficient Housing Tax Revenues to transfer an amount sufficient to maintain the Reserve Requirement on deposit in the Reserve Account, the Agency shall be obligated to continue making transfers as Housing Tax Revenues become available in the Special Fund until there is an amount sufficient to maintain the Reserve Requirement on deposit in the Reserve Account. No such transfer and deposit need be made to the Reserve Account so long as there shall be on deposit therein a sum at least equal to the Reserve Requirement. All money in the Reserve Account shall be used and withdrawn by the Trustee solely for the purpose of making transfers to the Interest Account and the Principal Account in such order of priority, in the event of any deficiency at any time in any of such accounts or for the retirement of all the Bonds or Parity Debt then Outstanding, except that so long as the Agency is not in default under the Indenture, any amount in the Reserve Account in excess of the Reserve Requirement shall be withdrawn from the Reserve Account semiannually on or before the fifth (5th) Business Days preceding each March 1 and September 1 by the Trustee and deposited in the

Interest Account. All amounts in the Reserve Account on the Business Day preceding the final Interest Payment Date shall be withdrawn from the Reserve Account and shall be transferred either (i) to the Interest Account and the Principal Account, in such order, to the extent required to make the deposits then required to be made pursuant to the Indenture or, (ii) if the Agency shall have caused to be transferred to the Trustee an amount sufficient to make the deposits required by the Indenture, then, at the Written Request of the Agency, to the Agency for deposit by the Agency into the Redevelopment Fund.

The Agency shall have the right at any time to direct the Trustee to release funds from the Reserve Account, in whole or in part, by tendering to the Trustee: (i) a Qualified Reserve Account Credit Instrument, and (ii) an opinion of Bond Counsel stating that neither the release of such funds nor the acceptance of such Qualified Reserve Account Credit Instrument will cause interest on the Bonds to become includable in gross income for purposes of federal income taxation. Upon tender of such items to the Trustee, and upon delivery by the Agency to the Trustee of written calculation of the amount permitted to be released from the Reserve Account (upon which calculation the Trustee may conclusively rely), the Trustee shall transfer such funds from the Reserve Account to the Agency to be deposited in the Redevelopment Fund and used for the purposes thereof. The Trustee shall comply with all documentation relating to a Qualified Reserve Account Credit Instrument as shall be required to maintain such Qualified Reserve Account Credit Instrument in full force and effect and as shall be required to receive payments thereunder in the event and to the extent required to make any payment when and as required under this paragraph (d). Upon the expiration of any Qualified Reserve Account Credit Instrument, the Agency shall either (i) replace such Qualified Reserve Account Credit Instrument with a new Qualified Reserve Account Credit Instrument, or (ii) deposit or cause to be deposited with the Trustee an amount of funds equal to the Reserve Requirement, to be derived from the first available Housing Tax Revenues. If the Reserve Requirement is being maintained partially in cash and partially with a Qualified Reserve Account Credit Instrument, the cash shall be first used to meet any deficiency which may exist from time to time in the Interest Account or the Principal Account for the purpose of making payments required pursuant to the Indenture. If the Reserve Requirement is being maintained with two or more Qualified Reserve Account Credit Instruments, any draw to meet a deficiency which may exist from time to time in the Interest Account or the Principal Account for the purpose of making payments required pursuant to the Indenture shall be pro-rata with respect to each such instrument.

(e) Redemption Account. On or before the Business Day preceding any date on which Bonds are to be optionally redeemed, the Trustee shall withdraw from the Debt Service Fund any amount transferred by the Agency any amount required to be transferred and shall deposit such amount in the Redemption Account, such amount being the amount required to pay the principal of and premium, if any, on the Bonds to be redeemed on such date. All moneys in the Redemption Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of and premium, if any, on the Bonds to be redeemed pursuant on the date set for such redemption. Interest due on Bonds to be redeemed on the date set for redemption shall, if applicable, be paid from funds available therefor in the Interest Account. Notwithstanding the foregoing, at any time prior to giving notice of redemption of any such Bonds, the Trustee may, at the direction of the Agency, apply amounts deposited or otherwise to be deposited in the Redemption Account to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding

accrued interest on Bonds, which is payable from the Interest Account) as shall be directed by the Agency.

### **Rights of Insurer; Consent or Approval of the Insurer**

(a) The following provisions shall govern, notwithstanding anything to the contrary set forth in the Indenture. The rights granted to the Insurer under the Indenture to request, consent to or direct any action are rights granted to the Insurer in consideration of its issuance of the Bond Insurance Policy. In this regard, the Insurer is a third party beneficiary of the Indenture. Any exercise by the Insurer of such rights is merely an exercise of the Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit or on behalf of the Bond Owners. With respect to proceedings relating to Events of Default, the Bond Owner's consent shall not be required in addition to consent of the Insurer where the Insurer was granted such right of consent.

(b) The Insurer shall be deemed to be the sole owner of the Bonds insured by it for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the Bonds insured by it are entitled to take pursuant to the provisions of the Indenture relating to Events of Default and replacement of the Trustee. The Trustee shall take no action except with the consent, or at the direction, of the Insurer. No contract shall be entered into or action taken by which the rights of the Insurer or the security or sources of payment for the Bonds may be impaired or prejudiced, except upon obtaining the prior written consent of the Insurer.

(c) The rights of the Insurer to direct or consent to Agency, Trustee or Bondowner actions under the Indenture shall be suspended during any period in which the Insurer is in default in its payment obligations under the Bond Insurance Policy (except to the extent of amounts previously paid by the Bonds Insurer and due and owing to the Insurer) and shall be of no force or effect in the event the Bond Insurance Policy is no longer in effect or the Insurer asserts that the Bond Insurance Policy is not in effect or the Insurer shall have provided written notice that it waives such rights.

(d) The Insurer shall be deemed to be the Owner of all Bonds insured under the Bond Insurance Policy for the following purposes and provided that the Insurer is not on default under the terms of the Bond Insurance Policy, during the following times under the Indenture: (a) at all times for the purpose of the execution and delivery of a Supplemental Indenture relating to any amendment, change or modification of the Indenture; (b) at all times with respect to the initiation by the Bondowners of any action to be taken by the Trustee at the request of such Bondowners, which under the Indenture requires the written approval or consent of or permits initiation by the Owners of a specified principal amount of Bonds then Outstanding; and (c) following the occurrence of an Event of Default for all other purposes.

### **Investment of Funds**

Moneys in the Debt Service Fund, the Interest Account, the Principal Account, the Reserve Account, the Redemption Account, the Costs of Issuance Account and the Redevelopment Escrow Fund shall be invested by the Trustee in Permitted Investments as directed by the Agency in the Written Request of the Agency filed with the Trustee at least two (2) Business Days in advance of the making of such investments, except that moneys in the Reserve Account shall not be invested in Permitted Investments having a maturity of more than five (5) years, unless any such Permitted Investment is described in clause (g) of the definition thereof. In the absence of any such Written Request of the Agency, the Trustee shall invest any

such moneys in Permitted Investments described in clause (d) of the definition thereof, which by their terms mature prior to the date on which such moneys are required to be paid out under the Indenture. The Trustee shall be entitled to rely conclusively upon the written instructions of the Agency directing investments in Permitted Investments as to the fact that each such investment is permitted by the laws of the State, and shall not be required to make further investigation with respect thereto. With respect to any restrictions set forth in the above list which embody legal conclusions (e.g., the existence, validity and perfection of security interests in collateral), the Trustee shall be entitled to rely conclusively on an opinion of counsel or upon a representation of the provider of such Permitted Investment obtained at the Agency's expense. Moneys in the Special Fund and the Redevelopment Fund may be invested by the Agency in any obligations in which the Agency is legally authorized to invest its funds. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account. All interest or gain derived from the investment of amounts in any of the funds or accounts held by the Trustee under the Indenture shall be deposited in the Interest Account; *provided, however*, that all interest or gain from the investment of amounts in the Reserve Account shall be deposited by the Trustee in the Interest Account only to the extent not required to cause the balance in the Reserve Account to equal the Reserve Requirement. The Trustee may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee shall incur no liability for losses arising from any investments made at the direction of the Agency or otherwise made in accordance with this paragraph. For investment purposes only, the Trustee may commingle the funds and accounts established under the Indenture, but shall account for each separately.

### **Issuance of Parity Debt**

In addition to the Bonds, the Agency may, by Supplemental Indenture, issue or incur other loans, advances or indebtedness payable from Housing Tax Revenues on a parity with the Bonds to finance redevelopment activities with respect to the Project Area in such principal amount as shall be determined by the Agency. The Agency may issue and deliver any such Parity Debt subject to the following specific conditions all of which are made conditions precedent to the issuance and delivery of such Parity Debt:

(a) No event of default under the Indenture, under any Parity Debt Instrument or under any Subordinate Debt Instrument shall have occurred and be continuing, and the Agency shall otherwise be in compliance with all covenants set forth in the Indenture;

(b) The Housing Tax Revenues estimated to be received for the then current Fiscal Year, based on the most recent assessed valuation of property in the Project Area (excluding taxes attributable to a tax rate levied by a taxing agency after January 1, 1989 for the purpose of producing revenues in an amount sufficient to make annual repayments of the principal of, and the interest on, any bonded indebtedness of such taxing agency), as evidenced in writing from the County Assessor or other appropriate official of the County, plus, at the option of the Agency, the Additional Revenues, shall be at least equal to one hundred twenty five percent (125%) of Maximum Annual Debt Service, including annual debt service on the proposed Parity Debt;

(c) The amount on deposit in the Reserve Account shall be increased to the Reserve Requirement taking into account the Parity Debt to be issued;

(d) Principal with respect to such Parity Debt will be required to be paid on September 1 in any year in which such principal is payable;

(e) The aggregate amount of the principal of and interest on all Outstanding Bonds, including Outstanding Parity Debt, and Subordinate Debt coming due and payable following the issuance of such Parity Debt shall not exceed the maximum amount of Housing Tax Revenues permitted under the Plan Limit to be allocated and paid to the Agency following the issuance of such Parity Debt as shall be confirmed at the time of the issuance of such Parity Debt and as shall be thereafter confirmed at least annually by the Agency in a written accounting to the Trustee and the Insurer. The Agency shall provide for the deposit of Housing Tax Revenues into an escrow held by the Trustee and pledged to the payment of the Bonds in the event and to the extent it determines, based on the annual calculation provided for in the preceding sentence, that remaining Debt Service payable on the Bonds, including any Parity Debt, exceeds ninety-five percent (95%) of the amount of Housing Tax Revenues then remaining to be allocated and paid to the Agency under the Plan Limit. The Agency shall apply amounts on deposit in such escrow deposit solely to the purchase or redemption of Bonds, including such Parity Debt; and

(f) The Agency shall deliver to the Trustee a Written Certificate of the Agency certifying that the conditions precedent to the issuance of such Parity Debt set forth in subsections (a) and (b) above have been satisfied and accompanied by a written Report of an Independent Redevelopment Consultant evidencing that the condition set forth in subsection (b) above has been satisfied.

### **Issuance of Subordinate Debt**

The Agency may issue or incur such Subordinate Debt subject to the following specific conditions precedent:

(a) The Agency shall be in compliance with all covenants set forth in the Indenture and all Supplemental Indentures;

(b) If, and to the extent, such Subordinate Debt is payable from Housing Tax Revenues within the then existing limitation on the amount of Housing Tax Revenues allocable and payable to the Agency under the Redevelopment Plan, then the aggregate amount of the principal of and interest to accrue on all Outstanding Bonds, Parity Debt and Subordinate Debt coming due and payable following the issuance of such Subordinate Debt shall not exceed the maximum amount of Housing Tax Revenues permitted under the Plan Limit to be allocated and paid to the Agency following the issuance of such Subordinate Debt; and

(c) The Agency shall deliver to the Trustee and the Insurer a Written Certificate of the Agency certifying that the conditions precedent to the issuance of such Subordinate Debt described above have been satisfied.

### **Swap Agreements**

Without meeting the requirements described above under "Issuance of Parity Debt" or "Issuance of Subordinate Debt", the Agency may, enter into one or more interest rate swap agreements ("Swap Agreements") with respect to Variable Rate Parity Debt, under which the Agency "swaps" the variable rate of interest payable on the Variable Rate Parity Debt for a fixed rate of interest, in a notional amount equal to or less than the principal amount of such Variable Rate Parity Debt to which the Swap Agreement applies, subject to the following conditions:

(a) The counterparty under the Swap Agreement (the “Swap Provider”), or the entity issuing the credit instrument securing the counterparty payments of the Swap Provider, must be rated at least “AA-”/“Aa3” or better by Standard & Poor’s Ratings Services and Moody’s Investors Service (the “Initial Rating Requirement”).

(b) Assuming satisfaction of the Initial Rating Requirement, and thereafter as long as the long term indebtedness of the Swap Provider or the claims paying ability of the Swap Provider, or the long term indebtedness or the claims paying ability of the entity issuing the credit instrument securing the counterparty payments of the Swap Provider, does not fall below BBB or Baa2 by either Standard & Poor’s or Moody’s (the “Minimum Rating Requirement”), all interest rate assumptions for purposes of determining Annual Debt Service and Maximum Annual Debt Service may be based upon the synthetic fixed interest rate under the Swap Agreement, plus the Basis Differential.

In the event of a failure to maintain a Swap Provider holding the Minimum Rating Requirement or to replace any such Swap Provider by another Swap Provider which holds the Initial Rating Requirement within ten business days after the Swap Provider’s rating falls below BBB or Baa2, the Swap Agreement will no longer be included in the calculation of Annual Debt Service.

The Agency's obligation to make payments under a Swap Agreement entered into in connection with the issuance of Variable Rate Parity Debt and meeting the conditions described in this section may, at the option of the Agency, be on a parity with the obligation of the Agency to pay debt service on the Series 2006A Bonds and all other outstanding Parity Debt.

### **Certain Other Covenants of the Agency**

Limitation on Additional Indebtedness; Against Encumbrances. The Agency hereby covenants that, so long as the Bonds are Outstanding, the Agency shall not issue any bonds, notes or other obligations, enter into any agreement or otherwise incur any indebtedness, which is in any case payable from all or any part of the Housing Tax Revenues, excepting only the Bonds, any Parity Debt and any Subordinate Debt. The Agency will not otherwise encumber, pledge or place any charge or lien upon any of the Housing Tax Revenues or other amounts pledged to the Bonds superior to the pledge and lien in the Indenture created for the benefit of the Bonds.

Plan Limit. The Agency shall manage its fiscal affairs in a manner which ensures that it will have sufficient Housing Tax Revenues available under the Plan Limit in the amounts and at the times required to enable the Agency to pay the principal of and interest and premium (if any) on the outstanding Bonds and any outstanding Parity Debt when due. The Agency shall, not less frequently than annually, determine whether the aggregate amount of the principal of and interest on all Outstanding Bonds, including Outstanding Parity Debt, and Subordinate Debt coming due and payable, exceeds the maximum amount of Housing Tax Revenues permitted under the Plan Limit to be allocated and paid to the Agency. The Agency shall provide for the deposit of Housing Tax Revenues into an escrow held by the Trustee and pledged to the payment of the Bonds in the event and to the extent it determines, based on the annual calculation provided for in the preceding sentence, that remaining Debt Service payable on the Bonds, including any Parity Debt, and any Subordinate Debt, exceeds ninety-five percent (95%) of the amount of Housing Tax Revenues then remaining to be allocated and paid to the Agency under the Plan Limit. The Agency shall apply amounts on deposit in such escrow solely to the

purchase or redemption of Bonds. Such calculation shall be included in the annual report filed pursuant to the Series 2006 Continuing Disclosure Certificate.

Extension of Payment. The Agency will not, directly or indirectly, extend or consent to the extension of the time for the payment of any Bond or claim for interest on any of the Bonds and will not, directly or indirectly, be a party to or approve any such arrangement by purchasing or funding the Bonds or claims for interest in any other manner. In case the maturity of any such Bond or claim for interest shall be extended or funded, whether or not with the consent of the Agency, such Bond or claim for interest so extended or funded shall not be entitled, in case of default under the Indenture, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which shall not have been so extended or funded.

Payment of Claims. The Agency will pay and discharge, or cause to be paid and discharged, any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the Housing Tax Revenues or any part thereof, or upon any funds held by the Trustee pursuant to the Indenture, if such lien or charge might impair the security of the Bonds. Nothing in the Indenture will require the Agency to make any such payment so long as the Agency in good faith contests the validity of said claims.

Books and Accounts; Financial Statements. The Agency will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Agency and the City, in which complete and correct entries are made of all transactions relating to the Housing Tax Revenues and the Special Fund. Such books of record and accounts will at all times during business hours be subject to the inspection of the Insurer and the Owners of not less than ten percent 10% in aggregate principal amount of the Bonds then outstanding, or their representatives authorized in writing.

The Agency will cause to be prepared, within one hundred and eighty (180) days after the close of each Fiscal Year so long as the Bonds are Outstanding, complete audited financial statements with respect to such Fiscal Year showing the Housing Tax Revenues, all disbursements of Housing Tax Revenues and the financial condition of the Redevelopment Project, including the balances in all funds and accounts relating to the Redevelopment Project, as of the end of such Fiscal Year. The Agency shall promptly furnish a copy of such financial statements to the Trustee and the Insurer at no expense and to any Owner upon reasonable request and at the expense of such Owner. In addition, the Agency shall deliver to the Trustee and the Insurer, on or about February 1 annually, a Written Certificate of the Agency and a written certificate or opinion of an Independent Accountant stating that the Agency is in compliance with its obligations under the Indenture.

Payments of Taxes and Other Charges. Except as the otherwise provided in the Indenture, the Agency will pay and discharge, or cause to be paid and discharged, all taxes, service charges, assessments and other governmental charges which may be lawfully imposed upon the Agency or the properties then owned by the Agency in the Redevelopment Project, when the same become due. Nothing contained in the Indenture requires the Agency to make any such payment so long as the Agency in good faith shall contest the validity of said taxes, assessments or charges. The Agency will duly observe and conform with all valid requirements of any governmental authority relative to the Redevelopment Project or any part thereof.

Disposition of Property. The Agency will not participate in the detachment of land from the Project Area or the disposition of any land or real property in the Project Area to anyone which will result in such property becoming exempt from taxation because of public ownership

or use or otherwise (except property dedicated for public right-of-way and except property planned for public ownership or use by the Redevelopment Plan in effect on the date of the Indenture) so that such detachment or disposition shall, when taken together with other such detachments or dispositions, (i) aggregate more than ten percent (10%) of the assessed value of property in the Project Area or (ii) would cause the amount of Housing Tax Revenues to be received by the Agency in the succeeding Fiscal Year to fall below 125% of Maximum Annual Debt Service, in either case unless the Insurer shall otherwise consent in writing.

Maintenance of Housing Tax Revenues. The Agency will comply with all requirements of the Law to insure the allocation and payment to it of the Housing Tax Revenues, including without limitation the timely filing of any necessary statements of indebtedness with appropriate officials of the County and the State. The Agency shall not undertake proceedings for amendment of the Redevelopment Plan if such amendment shall result in payments to one of more taxing entities pursuant to Sections 33607.5 and 33607.7 of the Law unless the Agency shall first obtain a written opinion of an Independent Redevelopment Consultant that such payments will not adversely impair the Agency's ability to pay debt service on the Bonds and any Parity Debt. Additionally, the Agency shall to approve any amendment to the Redevelopment Plan which would, in and of itself, cause the amount of Housing Tax Revenues to be received by the Agency in any succeeding Fiscal Year to fall below 125% of Maximum Annual Debt Service without the written consent of the Insurer.

Compliance With Law; Low and Moderate Income Housing Fund. The Agency shall ensure that all activities undertaken by the Agency with respect to the redevelopment of the Project Area are undertaken and accomplished in conformity with all applicable requirements of the Redevelopment Plan and the Law, including, without limitation, duly noticing and holding any public hearing required by either Section 33445 or Section 33679 of the Law prior to application of proceeds of the Bonds to any portion of the Redevelopment Project. Without limiting the generality of the foregoing, the Agency covenants that it shall deposit or cause to be deposited in the Low and Moderate Income Housing Fund established pursuant to Section 33334.3 of the Law, all amounts when, as and if required to be deposited therein pursuant to the Law.

Continuing Disclosure. The Agency covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Indenture, failure of the Agency to comply with the Continuing Disclosure Certificate shall not be an Event of Default under the Indenture. However, any Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Agency to comply with its obligations under the Indenture. Any notice required to be given pursuant to the provisions of the Continuing Disclosure Certificate shall also be given to the Insurer and to S&P and Moody's.

## **The Trustee**

### Duties, Immunities and Liabilities of Trustee.

(a) The Trustee shall, prior to the occurrence of an Event of Default (as defined below under the heading "Events Of Default"), and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in the Indenture and no implied covenants, duties or obligations shall be read into the Indenture against the Trustee. The Trustee shall, during the existence of any Event of Default (which has not been cured or waived), exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(b) The Agency may remove the Trustee at any time, unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee (i) if at any time requested to do so by the Insurer for any breach of trust set forth in the Indenture or by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or (ii) if at any time the Agency has knowledge that the Trustee shall cease to be eligible in accordance with (e) below, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation. Additionally, the Trustee may be removed at any time at the written request of the Insurer for any breach of trust set forth in the Indenture. In each case such removal shall be accomplished by the giving of written notice of such removal by the Agency to the Trustee, with a copy to the Insurer, whereupon the Agency shall appoint a successor Trustee acceptable to the Insurer by an instrument in writing.

(c) The Trustee may at any time resign by giving written notice of such resignation to the Agency and the Insurer and by giving the Owners and the Insurer notice of such resignation by first class mail, postage prepaid, at their respective addresses shown on the Registration Books. Upon receiving such notice of resignation, the Agency shall promptly appoint a successor Trustee by an instrument in writing.

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and have accepted appointment within forty-five (45) days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Owner (on behalf of such Owner and all other Owners) may petition any court of competent jurisdiction at the expense of the Agency for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under the Indenture shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee under the Indenture.

(e) If an Event of Default occurs with respect to any Bonds of which the Trustee has been given or is deemed to have notice, as provided in the Indenture, then the Trustee shall immediately give written notice thereof, by first-class mail to the Insurer and the Owner of each such Bond, unless such Event of Default shall have been cured before the giving of such notice; provided, however, that unless such Event of Default consists of the failure by the Agency to make any payment when due, the Trustee may elect not to give such notice if and so long as

the Trustee in good faith determines that it is in the best interests of the Bond Owners not to give such notice.

(f) The Agency agrees that, so long as any Bonds or Parity Debt are Outstanding, the Trustee appointed under the provisions of the Indenture in succession to the Trustee shall be a financial institution having a trust office in the State, having (or in the case of a corporation or trust company included in a bank holding company system, the related bank holding company shall have) a combined capital and surplus of at least \$75,000,000, and subject to supervision or examination by federal or state authority. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this paragraph (f), the Trustee shall resign immediately in the manner and with the effect specified in the Indenture.

(g) Any Trustee appointed under the provisions of the Indenture in succession to the Trustee shall be first consented to by the Insurer.

No Trustee Liability or Duty. The Trustee shall have no liability or obligation to the Bondowners with respect to the payment of debt service on the Bonds by the Agency or with respect to the observance or performance by the Agency of the other conditions, covenants and terms contained in the Indenture, or with respect to the investment of any moneys in any fund or account established, held or maintained by the Agency pursuant to the Indenture or otherwise.

No provision of the Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Indenture, or in the exercise of any of its rights or powers. The Trustee shall be entitled to interest on all amounts advanced by it at the maximum rate permitted by law.

The Trustee may execute any of the trusts or powers under the Indenture or perform any duties thereunder either directly or by or through agents, attorneys or receivers and the Trustee shall not be responsible for any intentional misconduct or negligence on the part of any agent, attorney or receiver appointed with due care by it under the Indenture.

The Trustee shall have no responsibility, opinion, or liability with respect to any information, statements or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Bonds.

Before taking any action under the Indenture at the request of the Owners, the Trustee may require that a satisfactory indemnity bond be furnished by the Owners for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful misconduct in connection with any action so taken.

Compensation and Indemnification. The Agency shall pay to the Trustee from time to time reasonable compensation for all services rendered under the Indenture and also all reasonable expenses, charges, legal and consulting fees and other disbursements and those of its attorneys (including the allocated costs and disbursement of in-house counsel to the extent such services are not redundant with those provided by outside counsel), agents and employees, incurred in and about the performance of its powers and duties under the Indenture. The Trustee shall have a first lien on the Housing Tax Revenues and all funds and accounts held by the Trustee under the Indenture to secure the payment to the Trustee of all fees, costs and expenses, including reasonable compensation to its experts, attorneys and counsel (including the allocated costs and disbursement of in-house counsel to the extent such services are not redundant with those provided by outside counsel).

## **Amendment of Indenture**

The Indenture and the rights and obligations of the Agency and of the Owners may be modified or amended at any time by a Supplemental Indenture which shall become binding upon adoption without the consent of any Owners or the Insurer (but with notice to the Insurer), to the extent permitted by law, but only for any one or more of the following purposes-

(a) to add to the covenants and agreements of the Agency in the Indenture contained, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or powers in the Indenture reserved to or conferred upon the Agency; or

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

(c) to provide for the issuance of Parity Debt in accordance with the Indenture; or

(d) to amend any provision of the Indenture relating to the requirements of or compliance with the Code, to any extent whatsoever but only if and to the extent such amendment will not adversely affect the exemption from federal income taxation of interest on any of the Bonds, in the opinion of Bond Counsel; or

(e) to comply with the requirements of a provider of a Qualified Reserve Account Credit Instrument.

Except as set forth in the preceding paragraph, the Indenture and the rights and obligations of the Agency and of the Owners may be modified or amended at any time by a Supplemental Indenture which shall become binding when the written consent of the Insurer and the Owners of a majority in aggregate principal amount of the Bonds then Outstanding are filed with the Trustee. No such modification or amendment shall (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Agency to pay the principal, interest or redemption premiums (if any) at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the Insurer or the Owner of such Bond, or (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification. In no event shall any Supplemental Indenture modify any of the rights or obligations of the Trustee without its prior written consent. In no event shall any Supplemental Indenture modify any of the rights or obligations of the Insurer without its prior written consent.

## **Events of Default and Remedies**

Events of Default. The following events constitute Events of Default under the Indenture:

(a) if default shall be made by the Agency in the due and punctual payment of the principal of or interest or redemption premium (if any) on any Bond when and as

the same shall become due and payable, whether at maturity as therein expressed, by declaration or otherwise;

(b) if default shall be made by the Agency in the observance of any of the covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, other than a default described in the preceding clause (a), and such default shall have continued for a period of sixty (60) days following receipt by the Agency of written notice from the Trustee or the Insurer or written notice from any Owner (with a copy of said notice delivered to the Trustee and the Insurer) of the occurrence of such default provided that if in the reasonable opinion of the Agency the failure stated in the notice can be corrected, but not within such 60 day period, such failure will not constitute an event of default if corrective action is instituted by the Agency (with the prior written consent of the Trustee) within such 60 day period and the Agency thereafter diligently and in good faith cures such failure in a reasonable period of time as approved by the Insurer; or

(c) If the Agency files a petition seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction will approve a petition by the Agency seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or, if under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction will approve a petition by the Agency, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or, if under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction will assume custody or control of the Agency or of the whole or any substantial part of its property.

If an Event of Default has occurred under the Indenture and is continuing, the Trustee, with the prior written consent of the Insurer, may, and, if requested in writing by the Insurer or the Owners of a majority in aggregate principal amount of the Bonds then Outstanding the Trustee shall, (a) declare the principal of the Bonds, together with the accrued interest thereon, to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything in the Indenture or in the Bonds to the contrary notwithstanding, and (b) if the Insurer shall have provided its written consent, the Trustee shall, subject to receiving appropriate indemnification, exercise any other remedies available to the Trustee and the Bond Owners in law or at equity.

Immediately upon receiving notice or actual knowledge of the occurrence of an Event of Default, the Trustee shall give notice of such Event of Default to the Insurer and to the Agency by telephone promptly confirmed in writing. Such notice shall also state whether the principal of the Bonds shall have been declared to be or have immediately become due and payable. With respect to any Event of Default described in clauses (a) or (c) above the Trustee shall, and with respect to any Event of Default described in clause (b) above the Trustee in its sole discretion may, also give such notice to the Owners by mail, which shall include the statement that interest on the Bonds shall cease to accrue from and after the date, if any, on which the Trustee shall have declared the Bonds to become due and payable pursuant to the preceding paragraph (but only to the extent that principal and any accrued, but unpaid, interest on the Bonds is actually paid on such date).

This provision, however, is subject to the condition that if, at any time after the principal of the Bonds shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Agency shall, with

the written consent of the Insurer, deposit with the Trustee a sum sufficient to pay all principal on the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, with interest on such overdue installments of principal and interest (to the extent permitted by law), and the reasonable fees and expenses of the Trustee, (including the allocated costs and disbursements of its in-house counsel to the extent such services are not redundant with those provided by outside counsel) and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Trustee shall promptly give written notice of the foregoing to the Insurer and the Owners of all Bonds then Outstanding, and with the prior written approval of the Insurer (or the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding if the Insurer is, at such time, in default of its payment obligations under the Bond Insurance Policy) may and, upon the direction of the Insurer, shall, on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences. However, no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon.

Application of Funds Upon Acceleration. All of the Housing Tax Revenues and all sums in the funds and accounts established and held by the Trustee under the Indenture upon the date of the declaration of acceleration as described above, and all sums thereafter received by the Trustee under the Indenture, shall be applied by the Trustee in the following order upon presentation of the several Bonds, and the stamping thereon of the payment if only partially paid, or upon the surrender thereof if fully paid:

First, to the payment of the fees, costs and expenses of the Trustee in declaring such Event of Default and in exercising the rights and remedies set forth in the Indenture, including reasonable compensation to its agents, attorneys (including the allocated costs and disbursements of its in-house counsel to the extent such services are not redundant with those provided by outside counsel) and counsel and any outstanding fees, expenses of the Trustee; and

Second, to the payment of the whole amount then owing and unpaid upon the Bonds for principal and interest, as applicable, with interest on the overdue principal and installments of interest at the net effective rate then borne by the Outstanding Bonds (to the extent that such interest on overdue installments of principal and interest shall have been collected), and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such principal and interest without preference or priority, ratably to the aggregate of such principal and interest.

Power of Trustee to Control Proceedings. In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties under the Indenture, whether upon its own discretion with the consent of the Insurer or upon the request of the Owners of a majority in principal amount of the Bonds then Outstanding, with the consent of the Insurer, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; *provided, however,* that the Trustee shall not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of a majority in principal amount of the Outstanding Bonds under the Indenture or

by the Insurer opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation.

Limitation on Owner's Right to Sue. No Owner of any Bond issued under the Indenture shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Indenture, unless (a) such Owner shall have previously given to the Agency, the Trustee and the Insurer written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of all the Bonds then Outstanding, with the prior written consent of the Insurer, shall have made written request upon the Trustee to exercise the powers granted or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

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

The Insurer Deemed Sole Owner; Payments to the Insurer. So long as the Insurer shall be in compliance with its payment obligations under the Bond Insurance Policy, the Insurer shall be deemed to be the sole owner of the Bonds for purposes of all provisions relating to an Event of Default with respect to the Bonds, and the Trustee shall take no action except with the consent, or at the direction, of the Insurer. The Insurer shall be included as a party in interest in any proceedings relating to the Bonds and as a party entitled to (i) notify the Trustee of the occurrence of an Event Default and (2) request the Trustee to intervene in judicial proceedings that affect the Bonds or the security therefor.

(b) The Agency shall, to the extent permitted by law, pay or reimburse the Insurer for any and all charges, fees, costs and expenses which the Insurer may reasonably pay or incur in connection with the pursuit of any remedies under the Indenture or the enforcement of the Indenture or otherwise afforded by law or equity other than resulting from the failure of the Insurer to honor its obligations under the Bond Insurance Policy. The Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Indenture.

(c) Payments required to be made to the Insurer shall be payable solely from Housing Tax Revenues and other amounts pledged under the Indenture and shall be paid (i) prior to an Event of Default after required deposits to the Revenue Fund and (ii) on and after an Event of Default, with respect to amounts other than principal and interest on the Bonds, on a priority immediately following payments to the Trustee for expenses.

Determination of Percentage of Bond Owners. Whenever in the Indenture the consent, direction or other action is required or permitted to be given or taken by a percentage of the Owners of an aggregate principal amount of Outstanding Bonds (including by the Owners of a majority in aggregate principal amount of the Outstanding Bonds), such percentage shall be

calculated on the basis of the principal amount of the Outstanding Bonds, determined as of the next succeeding Interest Payment Date.

### **Defeasance of Bonds**

The Agency may pay and discharge the indebtedness on any Bonds in any one or more of the following ways:

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

(ii) by irrevocably depositing with the Trustee or an escrow agent, in trust, at or before maturity, money which, together with the available amounts then on deposit in the funds and accounts established pursuant to the Indenture, is fully sufficient to pay all or the applicable portion of Outstanding Bonds, including all principal, interest and redemption premiums, as applicable, or;

(iii) by irrevocably depositing with the Trustee or an escrow agent, in trust, Defeasance Obligations in such amount as an Independent Accountant shall determine will, together with the interest to accrue thereon and available moneys then on deposit in the funds and accounts established pursuant to the Indenture, be fully sufficient to pay and discharge the indebtedness on all Bonds or the applicable portion thereof (including all principal, interest and redemption premiums) at or before maturity;

and, if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given pursuant to the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice, then, at the election of the Agency, and notwithstanding that any Bonds shall not have been surrendered for payment, the pledge of the Housing Tax Revenues and other funds provided for in the Indenture and all other obligations of the Trustee and the Agency under the Indenture shall cease and terminate with respect to all Outstanding Bonds or, if applicable, with respect to that portion of the Bonds which has been paid and discharged, except only (a) the covenants of the Agency with respect to the Code, (b) the obligation of the Trustee to transfer and exchange Bonds, (c) the obligations of the Agency under the Indenture, and (d) the obligation of the Agency to pay or cause to be paid to the Owners (or the Insurer), from the amounts so deposited with the Trustee, all sums due thereon and to pay the Trustee and the Insurer all fees, expenses and costs of the Trustee. In the event the Agency shall, pursuant to the foregoing provision, pay and discharge any portion or all of the Bonds then Outstanding, the Trustee shall be authorized to take such actions and execute and deliver to the Agency all such instruments as may be necessary or desirable to evidence such discharge, including, without limitation, selection by lot of Bonds of any maturity of the Bonds that the Agency has determined to pay and discharge in part.

In the case of a defeasance or payment of all of the Bonds Outstanding, any funds thereafter held by the Trustee which are not required for said purpose or for payment of amounts due the Trustee shall be paid over to the Agency.

Notwithstanding anything in the Indenture to the contrary, in the event that the principal and/or interest due of the Bonds is paid by the Insurer pursuant to the Bond Insurance Policy, the Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Agency, and the assignment and pledge of Housing Tax Revenues and other assets under the Indenture and all covenants, agreements and other

obligations of the Agency to the Bond Owners so paid shall continue to exist and shall run to the benefit of Insurer, and the Insurer shall be subrogated to the rights of such Bond Owners.

## APPENDIX D

### CITY OF ROSEVILLE GENERAL INFORMATION

*The following information regarding the City and the surrounding area is presented as general background data. The Bonds are payable solely from the sources described herein (see "SECURITY FOR THE BONDS"). The taxing power of the City, the County of Placer, the State of California or any political subdivision thereof is not pledged to the payment of the Bonds. See the information under the caption "THE BONDS."*

#### **General**

The City of Roseville is located in Placer County, in California's Sacramento Valley, near the foothills of the Sierra Nevada mountain range, about 16 miles northeast of Sacramento and 110 miles east of San Francisco. The City, with a population estimated to be approximately 104,655 at January 1, 2006, is the largest city in Placer County as well as the residential and industrial center of the County.

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

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

#### **Municipal Government**

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

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

## Population

Between 2002 and 2006, the City's population increased 19.4%, compared to a 16.7% increase for the County and 5.9% for the State for the same period. The City's growth in population is shown below.

### CITY OF ROSEVILLE Population 2002 through 2006

<u>Year</u>	<u>City of Roseville</u>	<u>Placer County</u>	<u>State of California</u>
2002	87,630	271,109	35,088,671
2003	93,502	283,942	35,691,472
2004	98,558	297,033	36,245,016
2005	103,185	308,431	36,728,196
2006	104,655	316,508	37,172,015

*Source: California State Department of Finance.*

## Employment and Industry

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

### SACRAMENTO METROPOLITAN STATISTICAL AREA Labor Force, Employment and Unemployment Annual Average for Calendar Years 2001 through 2005

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Wage and Salary Employment <sup>(1)</sup>					
Agriculture	8,100	7,900	7,500	7,400	7,100
Natural Resources and Mining	900	800	700	700	700
Construction	59,500	61,300	66,500	70,800	73,300
Manufacturing	49,800	47,000	46,300	47,300	49,000
Wholesale Trade	25,800	25,600	26,300	26,500	26,800
Retail Trade	91,600	92,700	94,900	96,700	98,700
Transportation, Warehousing and Utilities	23,300	22,400	21,900	22,900	23,500
Information	22,300	23,100	21,900	20,900	19,900
Finance and Insurance	38,700	41,300	44,800	45,400	47,000
Real Estate and Rental and Leasing	13,700	13,900	14,600	15,100	16,400
Professional and Business Services	99,300	96,100	95,800	98,400	102,600
Educational and Health Services	75,900	78,000	81,000	84,600	87,500
Leisure and Hospitality	72,200	75,200	77,300	79,900	82,200
Other Services	27,700	28,200	28,000	28,500	28,800
Federal Government	12,800	12,700	12,900	12,600	12,700
State Government	106,200	108,200	106,700	102,300	102,300
Local Government	<u>99,100</u>	<u>105,900</u>	<u>106,600</u>	<u>106,800</u>	<u>109,000</u>
Total, All Industries <sup>(2)</sup>	827,000	840,100	853,500	866,400	887,400

<sup>(1)</sup> Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

<sup>(2)</sup> Total may not add due to rounding.

*Source: State of California Employment Development Department.*

The table below lists the ten largest employers in the City as of calendar year 2005.

**CITY OF ROSEVILLE  
Largest Employers  
June 30, 2005**

<u>Business</u>	<u>No. of Employees</u>	<u>Product/Service</u>
Hewlett-Packard	3,706	Technology
Kaiser Permanente	3,000	Health Care
Sutter Roseville Medical Center	1,682	Health Care
Union Pacific	1,294	Railroad
City of Roseville	1,034	Government
Roseville Joint Union High School District	946	Education
Roseville City School	805	Education
NEC Electronics	715	Technology
Wal-Mart	635	Retail
Surewest Communications	575	Phone Service

*Source: City of Roseville, Economic & Community Services*

The table below lists the largest employers in the County as of January 1, 2006.

**PLACER COUNTY  
Major Employers  
January 1, 2006**

<u>Employer Name</u>	<u>Location</u>	<u>Industry</u>
Adventist Health	Roseville	Health Services
Alpine Meadows Ski Resort	Alpine Meadows	Skiing Centers & Resorts
Auburn Area Answering Svc	Auburn	Paging & Answering Service
Club Cruise	Auburn	Travel Agencies & Bureaus
Coherent Inc	Auburn	Lasers-Medical-Manufacturers
Formica Corp	Rocklin	Plastics-High Pressure Laminates (Mfrs)
Future Ford	Roseville	Automobile Dealers-New Cars
Hewlett-Packard Co	Roseville	Computer Services
Home Depot	Roseville	Home Centers
J R Pierce Plumbing Co Inc	Rocklin	Plumbing Contractors
Nec Electronics Usa Inc	Roseville	Semiconductors & Related Devices (Mfrs)
Oracle Corp	Rocklin	Computer Software
Placer County Marshal	Auburn	Government Offices-County
Placer County Sheriff	Auburn	Sheriff
Placer County Superintendent	Auburn	Schools
Public Works	Auburn	Grading Contractors
Resort At Squaw Creek	Olympic Valley	Resorts
Sierra Community College Dist	Rocklin	Schools-Universities & Colleges Academic
Sierra Wes Drywall Inc	Loomis	Dry Wall Contractors
Spa St Squaw Creek	Olympic Valley	Spas-Beauty & Day
Sutter Auburn Faith Hospice	Auburn	Hospitals
Sutter Roseville Medical Ctr	Roseville	Hospitals
Thunder Valley Casino	Lincoln	Casinos
Underground Construction Co	Roseville	Pipe Line Contractors
United Natural Foods	Auburn	Health Food Products- Wholesale

*Source: State of California Employment Development Department.*

## Construction

The following table shows residential and non-residential building permits issued, for calendar years 2001 through 2005.

### CITY OF ROSEVILLE Building Permit Valuation (Valuation in Thousands of Dollars)

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
<u>Permit Valuation</u>					
New Single-family	\$356,214.1	\$526,365.7	\$384,045.3	\$251,956.9	\$174,522.4
New Multi-family	61,1,001.6	78,999.5	42,747.2	7,863.7	17,304.5
Res. Alterations/Additions	<u>2,455.9</u>	<u>2,649.5</u>	<u>2,374.4</u>	<u>3,781.0</u>	<u>3,043.1</u>
Total Residential	420,600.6	608,014.8	429,166.9	263,601.6	194,870.0
New Commercial	50,213.0	105,953.3	91,323.3	88,982.1	69,756.3
New Industrial	6,214.0	2,922.5	3,883.9	13,600.2	5,975.0
New Other	11,554.4	22,969.7	23,697.7	25,404.3	23,301.6
Com. Alterations/Additions	<u>40,608.4</u>	<u>34,272.8</u>	<u>37,062.9</u>	<u>43,987.8</u>	<u>52,473.8</u>
Total Nonresidential	108,589.8	166,118.3	155,967.7	171,974.3	151,506.7
<u>New Dwelling Units</u>					
Single Family	1,456	2,300	1,467	1,015	826
Multiple Family	<u>762</u>	<u>914</u>	<u>474</u>	<u>93</u>	<u>165</u>
TOTAL	2,218	3,214	1,941	1,108	991

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

## Taxable Sales

During the first three quarters of calendar year 2005, reported total taxable sales in the City were reported to be \$2,841,665,000 a 7.3% increase over total taxable transactions of \$2,649,551,000 that were reported during the first three quarters of calendar year 2004. A summary of taxable transactions in the City is shown below. Annual figures for 2005 are not yet available.

### CITY OF ROSEVILLE Taxable Transactions Calendar Years 2000 through 2004 (Dollars in Thousands)

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Apparel stores	\$67,603	\$110,463	\$118,936	\$128,694	\$158,633
General merchandise stores	306,446	370,924	418,267	467,494	561,058
Food stores	64,750	66,469	75,978	93,286	95,389
Eating and drinking places	140,862	177,347	195,011	214,558	235,917
Home furnishing and appliances.	59,436	82,000	96,700	108,737	136,822
Building material and farm implements	146,088	174,920	217,298	251,148	288,940
Auto dealers and auto supplies	879,626	938,034	1,026,213	1,125,482	1,201,552
Service stations	84,345	90,944	89,200	114,336	130,953
Other retail stores	<u>273,708</u>	<u>341,119</u>	<u>376,465</u>	<u>412,610</u>	<u>446,106</u>
Retail Stores Totals	2,022,864	2,352,220	2,614,068	2,916,345	3,255,370
All Other Outlets	<u>372,430</u>	<u>404,367</u>	<u>374,189</u>	<u>372,114</u>	<u>405,061</u>
TOTAL ALL OUTLETS	<u>\$2,395,294</u>	<u>\$2,756,587</u>	<u>\$2,988,257</u>	<u>\$3,288,459</u>	<u>\$3,660,431</u>
TOTAL NUMBER OF PERMITS	2,637	2,967	3,348	3,909	4,307

*Source: California State Board of Equalization.*

Total taxable transactions reported in the County during the first three quarters of calendar year 2005 were reported to be to \$5,318,170,000, a 10.9% increase over the total taxable transactions of \$4,794,859,000 that were reported during the first three quarters of calendar year 2004. A summary of historic taxable sales within the County during the past five years for which data is available is shown in the following table. Annual figures are not yet available for 2005.

### PLACER COUNTY Taxable Transactions Calendar Years 2000 through 2004 (Dollars in Thousands)

	<u>Retail Stores</u>		<u>Total All Outlets</u>	
	<u>Number of Permits</u>	<u>Taxable Transactions</u>	<u>Number of Permits</u>	<u>Taxable Transactions</u>
2000	2,993	\$3,384,347	8,415	\$4,741,567
2001	3,385	3,793,236	8,885	5,201,929
2002	3,861	4,161,204	9,559	5,549,881
2003	4,389	4,539,346	10,543	5,973,818
2004	4,841	5,024,153	11,184	6,595,566

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

## **City Services**

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

**APPENDIX E**  
**FORMS OF BOND COUNSEL OPINIONS**

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**PROPOSED FORM OF BOND COUNSEL OPINION**

**SERIES 2006A BONDS**

November \_\_, 2006

Redevelopment Agency of the City of Roseville  
311 Vernon Street  
Roseville, California 95678

*OPINION:* \$13,155,000 Redevelopment Agency of the City of Roseville  
Roseville Redevelopment Project Tax Allocation Bonds, Series 2006A

Members of the Agency:

We have acted as bond counsel in connection with the issuance by the Redevelopment Agency of the City of Roseville (the "Agency") of its \$13,155,000 principal amount Redevelopment Agency of the City of Roseville, Roseville Redevelopment Project Tax Allocation Bonds, Series 2006A (the "Bonds"), pursuant to the Community Redevelopment Law, constituting Part 1 (commencing with Section 33000) of Division 24 of the Health and Safety Code of the State of California (the "Law"), a resolution of the Agency adopted on September 20, 2006, and an Indenture of Trust dated as of November 1, 2002, by and between the Agency and BNY Western Trust Company (now known as The Bank of New York Trust Company, N.A.), as trustee (the "Trustee"), as heretofore amended and as supplemented and amended by the First Supplemental Indenture of Trust dated as of October 1, 2006, between the Agency and the Trustee (collectively, the "Indenture"). We have examined the Law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Agency contained in the Resolution and in certified proceedings and other certifications of public officials furnished to us, without undertaking to verify such facts by independent investigation.

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

1. The Agency is duly created and validly existing as a public body, corporate and politic, with the power to execute and deliver the Indenture, perform the agreements on its part contained therein and issue the Bonds.

2. The Indenture has been duly executed and delivered by the Agency and constitutes a valid and binding obligation of the Agency enforceable upon the Agency.

3. Pursuant to the Law, the Indenture creates a valid lien on the funds pledged by the Indenture for the security of the Bonds and any Parity Debt issued pursuant to the Indenture, subject to no prior lien granted under the Law.

4. The Bonds have been duly authorized, executed and delivered by the Agency and are valid and binding special obligations of the Agency, payable solely from the sources provided therefor in the Indenture.

5. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings. The opinions set forth in the preceding sentence are subject to the condition that the Agency comply with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Agency has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

6. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Resolution may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully submitted,

A Professional Law Corporation

**PROPOSED FORM OF BOND COUNSEL OPINION**  
**SERIES 2006A-T BONDS**

November \_\_, 2006

Redevelopment Agency of the City of Roseville  
311 Vernon Street  
Roseville, California 95678

*OPINION:* \$3,285,000 Redevelopment Agency of the City of Roseville  
Roseville Redevelopment Project Taxable Tax Allocation Bonds,  
Series 2006A-T

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Members of the Agency:

We have acted as bond counsel in connection with the issuance by the Redevelopment Agency of the City of Roseville (the "Agency") of its \$3,285,000 principal amount Redevelopment Agency of the City of Roseville, Roseville Redevelopment Project Taxable Tax Allocation Bonds, Series 2006A-T (the "Bonds"), pursuant to the Community Redevelopment Law, constituting Part 1 (commencing with Section 33000) of Division 24 of the Health and Safety Code of the State of California (the "Law"), a resolution of the Agency adopted on September 20, 2006, and an Indenture of Trust dated as of November 1, 2002, by and between the Agency and BNY Western Trust Company (now known as The Bank of New York Trust Company, N.A.), as trustee (the "Trustee"), as heretofore amended and as supplemented and amended by the First Supplemental Indenture of Trust dated as of October 1, 2006, between the Agency and the Trustee (collectively, the "Indenture"). We have examined the Law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Agency contained in the Resolution and in certified proceedings and other certifications of public officials furnished to us, without undertaking to verify such facts by independent investigation.

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

1. The Agency is duly created and validly existing as a public body, corporate and politic, with the power to execute and deliver the Indenture, perform the agreements on its part contained therein and issue the Bonds.

2. The Indenture has been duly executed and delivered by the Agency and constitutes a valid and binding obligation of the Agency enforceable upon the Agency.

3. Pursuant to the Law, the Indenture creates a valid lien on the funds pledged by the Indenture for the security of the Bonds and any Parity Debt issued pursuant to the Indenture, subject to no prior lien granted under the Law.

4. The Bonds have been duly authorized, executed and delivered by the Agency and are valid and binding special obligations of the Agency, payable solely from the sources provided therefor in the Indenture.

5. The interest on the Bonds is not excluded from gross income for federal income tax purposes.

6. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Resolution may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in appropriate cases.

To ensure compliance with requirements imposed by the Internal Revenue Service, we inform owners of the Bonds that any U.S. federal tax advice contained in this opinion is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing, or recommending to another party any transaction or matter addressed herein.

Respectfully submitted,

A Professional Law Corporation

**PROPOSED FORM OF BOND COUNSEL OPINION**  
**SERIES 2006H-T BONDS**

November \_\_, 2006

Redevelopment Agency of the City of Roseville  
311 Vernon Street  
Roseville, California 95678

*OPINION:* \$6,505,000 Redevelopment Agency of the City of Roseville  
Roseville Redevelopment Project Taxable Tax Allocation Housing  
Bonds, Series 2006H-T

Members of the Agency:

We have acted as bond counsel in connection with the issuance by the Redevelopment Agency of the City of Roseville (the "Agency") of its \$6,505,000 principal amount Redevelopment Agency of the City of Roseville, Roseville Redevelopment Project Taxable Tax Allocation Housing Bonds, Series 2006H-T (the "Bonds"), pursuant to the Community Redevelopment Law, constituting Part 1 (commencing with Section 33000) of Division 24 of the Health and Safety Code of the State of California (the "Law"), a resolution of the Agency adopted on September 20, 2006, and an Indenture of Trust dated as of October 1, 2006 (the "Indenture"), by and between the Agency and The Bank of New York Trust Company, N.A., as trustee (the "Trustee"). We have examined the Law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Agency contained in the Resolution and in certified proceedings and other certifications of public officials furnished to us, without undertaking to verify such facts by independent investigation.

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

1. The Agency is duly created and validly existing as a public body, corporate and politic, with the power to execute and deliver the Indenture, perform the agreements on its part contained therein and issue the Bonds.

2. The Indenture has been duly executed and delivered by the Agency and constitutes a valid and binding obligation of the Agency enforceable upon the Agency.

3. Pursuant to the Law, the Indenture creates a valid lien on the funds pledged by the Indenture for the security of the Bonds and any Parity Debt issued pursuant to the Indenture, subject to no prior lien granted under the Law.

4. The Bonds have been duly authorized, executed and delivered by the Agency and are valid and binding special obligations of the Agency, payable solely from the sources provided therefor in the Indenture.

5. The interest on the Bonds is not excluded from gross income for federal income tax purposes.

6. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Resolution may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in appropriate cases.

To ensure compliance with requirements imposed by the Internal Revenue Service, we inform owners of the Bonds that any U.S. federal tax advice contained in this opinion is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing, or recommending to another party any transaction or matter addressed herein.

Respectfully submitted,

A Professional Law Corporation

## APPENDIX F

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered by the Redevelopment Agency of the City of Roseville (the "Agency") in connection with the issuance by the Agency of its \$13,155,000 Tax Allocation Bonds, Series 2006A (the "Series 2006A Bonds"), \$3,285,000 Tax Allocation Bonds, Series 2006A-T (the "Series 2006A-T Bonds"), and \$6,505,000 Taxable Tax Allocation Housing Bonds, Series 2006H-T (the "Series 2006H-T Bonds") (collectively, the "Bonds"). The Series 2006A Bonds and the Series 2006A-T Bonds are sometimes referred to herein as the "Non-Housing Bonds"). The Non-Housing Bonds are being issued under the Redevelopment Law and pursuant to a First Supplemental Indenture of Trust (the "Supplement"), dated as of November 1, 2006, by and between the Agency and The Bank of New York Trust Company, N.A, San Francisco, California, as trustee (the "Trustee"), which supplements the Indenture of Trust dated as of November 1, 2002 (the "Original Indenture") relating to the issuance of the Agency's \$14,500,000 Roseville Redevelopment Project Tax Allocation Bonds, Series 2002. The Original Indenture, as supplemented by the Supplement, is referred to herein as the "Non-Housing Indenture"). The Series 2006H-T Bonds are being issued under the Redevelopment Law and pursuant to an Indenture of Trust (the "Housing Indenture"), dated as of November 1, 2006, by and between the Agency and the Trustee. The Agency hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Agency for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure 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 Agency pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"*Dissemination Agent*" shall mean The Bank of New York Trust Company, N.A acting as the Dissemination Agent, or any successor Dissemination Agent designated in writing by the Agency and which has filed with the Agency a written acceptance of such designation.

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

"*National Repository*" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. Any filing under this Disclosure Agreement with a National Repository may be made solely by transmitting such filing to the Texas Municipal Advisory Council (the "MAC") as provided at <http://www.disclosureusa.org> unless the United States Securities and Exchange Commission has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004.

"*Official Statement*" shall mean the Official Statement dated October 26, 2006 relating to the Bonds.

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

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

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

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

### Section 3. Provision of Annual Reports.

(a) The Agency shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the Agency's fiscal year (which currently would be March 31 based upon the Agency's current June 30 fiscal year), commencing by March 31, 2007 with the report for the 2005-06 fiscal year, provide to each Repository and the Participating Underwriter an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. Not later than fifteen (15) Business Days prior to said date, the Agency shall provide the Annual Report to the Dissemination Agent (if other than the Agency). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the Agency may be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report if not available by that date. If the Agency's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) If the Agency is unable to provide to the Repositories an Annual Report by the date required in subsection (a), the Agency shall send a notice to the Municipal Securities Rulemaking Board and the appropriate State Repository, if any, in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

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

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

Section 4. Content of Annual Reports. The Agency's Annual Report shall contain or incorporate by reference the following:

(a) Audited Financial Statements of the Agency prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from

time to time by the Governmental Accounting Standards Board. If such audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or prior to the annual filing deadline for the Annual Reports provided for in Section 3 above, financial information and operating data with respect to the Agency for the preceding fiscal year, substantially similar to that provided in the corresponding tables and charts in the Official Statement for the Bonds, as follows:

- (i) summary of Agency indebtedness payable from tax increment generated in the Roseville Project Area (the "Project Area"), including the amount outstanding as of June 30 of the most recent fiscal year, with a distinction between indebtedness payable from Housing Tax Revenues and Non Housing Tax Revenues (as described in the Indentures and the debt service coverage ratio for the non-housing and housing related bonds;
- (ii) identity of pending and successful appeals of assessed values in the Project Area, but only if total appeals exceed, in the aggregate, 5% of assessed value in the Project Area;
- (iii) summary of taxable value in the Project Area for the most recent fiscal year;
- (iv) a listing of the ten major property tax assessesees in the Project Area;
- (v) summary of historic receipts of tax increment in the Project Area, the Tax Revenues, Housing Tax Revenues, the debt service for the Bonds and any Parity Debt and the debt service coverage ratio for the Bonds and any Parity Debt for the most recently completed fiscal year; and
- (vi) the annual Plan Limit calculation required to be made by the Agency under Section 14.03 of the Supplement and Section 5.13 of the Housing Indenture (regarding determining whether the aggregate amount of the principal of and interest on all Outstanding Bonds, including Outstanding Parity Debt, and Subordinate Debt coming due and payable, exceeds the maximum amount of Tax Revenues permitted under the Plan Limit to be allocated and paid to the Agency).

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

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

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

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Agency shall give, or cause to be given, 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) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions or events affecting the tax-exempt status of the security.
- (7) Modifications to rights of security holders.
- (8) Contingent or unscheduled bond calls.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities.
- (11) Rating changes.

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

(c) If the Agency determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the Agency shall promptly file a notice of such occurrence with the Municipal Securities Rulemaking Board and each State Repository. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds pursuant to the Indenture.

Section 6. Termination of Reporting Obligation. The Agency's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Agency shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 7. Dissemination Agent. The Agency 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 Agent, with or without appointing a successor Dissemination Agent.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Agency may amend this Disclosure Agreement, 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(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in

legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

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

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

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the Agency to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be sent to the Repositories in the same manner as for a Listed Event under Section 5(c).

Section 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Agency 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 Agency 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 Agency 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 Agency to comply with any provision of this Disclosure Agreement, 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 Agency to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the Agency or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Agency agrees to indemnify and save the Dissemination Agent, its officers,

directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Agency under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

The Agency shall pay the reasonable fees and expenses of the Dissemination Agent for its duties hereunder. Article VI of the Indenture is hereby made applicable to this Disclosure Agreement as if this Agreement were contained in the Indenture, and the Trustee and Dissemination Agent shall be entitled to the protections, limitations from liability and indemnities afforded the Trustee thereunder. The Dissemination Agent shall have no responsibility for the preparation, form or content of any Annual Report or any notice of a Listed Event.

Section 12. Counterpart. This Disclosure Agreement may be executed in counterpart, each of which shall constitute an original signature page thereof.

Section 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Agency, 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.

Dated: \_\_\_\_\_, 2006

**REDEVELOPMENT AGENCY OF THE CITY OF  
ROSEVILLE**

By: \_\_\_\_\_  
Executive Director



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## APPENDIX G

### BOOK ENTRY ONLY SYSTEM

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Bonds”). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

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

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

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

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

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from Issuer or Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

In the event that the book-entry only system for the Bonds, or a portion of the Bonds, is discontinued, Bond certificates in fully registered form will be delivered to, and registered in the names of, the DTC Participants or such other persons as such DTC Participants may specify (which may be the Indirect DTC Participants or Beneficial Owners), in authorized denominations. The ownership of the Bonds so delivered (and any Bonds thereafter delivered upon a transfer or exchange) shall be registered in registration books to be kept by the Trustee at its corporate trust office, and the Agency and the Trustee shall be entitled to treat the registered owners of such Bonds, as their names appear in such registration books as of the appropriate dates, as the owners thereof for all purposes described herein and in the Indenture.

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**APPENDIX H**  
**SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY**

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**Financial Guaranty Insurance Policy**

Obligor:

Policy Number:

Obligations:

Premium:

**Ambac Assurance Corporation (Ambac)**, a Wisconsin stock insurance corporation, in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to The Bank of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of the Holders, that portion of the principal of and interest on the above-described obligations (the "Obligations") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor.

Ambac will make such payments to the Insurance Trustee within one (1) business day following written notification to Ambac of Nonpayment. Upon a Holder's presentation and surrender to the Insurance Trustee of such unpaid Obligations or related coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Holder the amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Obligations and/or coupons and shall be fully subrogated to all of the Holder's rights to payment thereon.

In cases where the Obligations are issued in registered form, the Insurance Trustee shall disburse principal to a Holder only upon presentation and surrender to the Insurance Trustee of the unpaid Obligation, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee duly executed by the Holder or such Holder's duly authorized representative, so as to permit ownership of such Obligation to be registered in the name of Ambac or its nominee. The Insurance Trustee shall disburse interest to a Holder of a registered Obligation only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Obligation and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, transferring to Ambac all rights under such Obligation to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all of the Holders' rights to payment on registered Obligations to the extent of any insurance disbursements so made.

In the event that a trustee or paying agent for the Obligations has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from the Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Holder will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Holder" means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment for the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used herein, "Due for Payment", when referring to the principal of Obligations, is when the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Obligations, is when the scheduled date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Obligor to have provided sufficient funds to the trustee or paying agent for payment in full of all principal of and interest on the Obligations which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Obligations prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.



President



Secretary

Effective Date:

Authorized Representative

THE BANK OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.



Authorized Officer of Insurance Trustee

## Endorsement

Policy for:

Attached to and forming part of Policy No.:

Effective Date of Endorsement:

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

Nothing herein contained shall be held to vary, alter, waive or extend any of the terms, conditions provisions, agreements or limitations of the above mentioned Policy other than as above stated.

**In Witness Whereof**, Ambac has caused this Endorsement to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

**Ambac Assurance Corporation**



President

Secretary

Authorized Representative