

In the opinion of Jones Hall, a Professional Law Corporation, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions and assuming (among other things) compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes. In the opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that it is included in adjusted current earnings in calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences caused by ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "TAX MATTERS" herein.

\$9,165,000
CITY OF ROSEVILLE
LONGMEADOW PARKSIDE COMMUNITY FACILITIES DISTRICT NO. 1
(PUBLIC FACILITIES)
SPECIAL TAX BONDS
SERIES 2005

Dated: Date of Delivery

Due: September 1, as shown below

The bonds captioned above (the "Bonds"), are being issued by the City of Roseville (the "City") by and through its Longmeadow Parkside Community Facilities District No. 1 (Public Facilities) (the "District"). The Bonds are special tax obligations of the City, authorized pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, being California Government Code Section 53311, et seq. (the "Act"), and are issued pursuant to a Fiscal Agent Agreement dated as of November 1, 2005 (the "Fiscal Agent Agreement") by and between the City and The Bank of New York Trust Company, N.A., as fiscal agent (the "Fiscal Agent"). The Bonds are issued to (i) construct and acquire certain public facilities of benefit to the District; (ii) provide for the establishment of a reserve fund, (iii) provide capitalized interest, and (iv) pay the costs of issuance of the Bonds. Interest on the Bonds is payable on March 1, 2006, and thereafter semiannually on March 1 and September 1 of each year.

The Bonds are being issued as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to ultimate purchasers in the denomination of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. See "APPENDIX G – BOOK-ENTRY SYSTEM."

The Bonds are secured by and payable from a pledge of Special Taxes (as defined herein) to be levied by the City on real property within the boundaries of the District, from the proceeds of any foreclosure actions brought following a delinquency in the payment of the Special Taxes, and from amounts held in certain funds under the Fiscal Agent Agreement, all as more fully described herein. **Unpaid Special Taxes do not constitute a personal indebtedness of the owners of the parcels within the District. In the event of delinquency, proceedings may be conducted only against the parcel of real property securing the delinquent Special Tax. There is no assurance the owners will be able to pay the Special Tax or that they will pay a Special Tax even though financially able to do so.** To provide funds for payment of the Bonds and the interest thereon as a result of any delinquent Special Taxes, the City will establish a Reserve Fund from proceeds of the Bonds, as described herein. See "SECURITY FOR THE BONDS."

Property in the District subject to the Special Tax comprises approximately 87.5 acres northwest of the center of the City planned for 579 single family units. New home construction is currently underway on a portion of the property. See "THE DISTRICT" and "OWNERSHIP OF PROPERTY WITHIN THE DISTRICT."

The Bonds are subject to optional and mandatory redemption prior to maturity as described herein. See "THE BONDS — Redemption."

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE COUNTY OF PLACER, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS DO NOT CONSTITUTE A DEBT OF THE CITY WITHIN THE MEANING OF ANY STATUTORY OR CONSTITUTIONAL DEBT LIMITATION. THE INFORMATION SET FORTH IN THIS OFFICIAL STATEMENT, INCLUDING INFORMATION UNDER THE HEADING "SPECIAL RISK FACTORS," SHOULD BE READ IN ITS ENTIRETY.

This cover page contains certain information for general reference only. It is not a summary of all of the provisions of the Bonds. Prospective investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. See "SPECIAL RISK FACTORS" herein for a discussion of the special risk factors that should be considered, in addition to the other matters and risk factors set forth herein, in evaluating the investment quality of the Bonds.

MATURITY SCHEDULE

<u>Maturity Date</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price or</u> <u>Yield</u>	<u>CUSIP†</u> <u>(777870)</u>	<u>Maturity Date</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price or</u> <u>Yield</u>	<u>CUSIP†</u> <u>(777870)</u>
2007	\$150,000	3.050%	3.050%	PZ3	2017	\$225,000	4.700%	4.800%	QK5
2008	155,000	3.450	3.450	QA7	2018	235,000	4.750	4.850	QL3
2009	160,000	3.700	3.700	QB5	2019	245,000	4.800	4.900	QM1
2010	165,000	3.900	3.900	QC3	2020	260,000	4.850	4.950	QN9
2011	175,000	4.100	4.100	QD1	2021	270,000	5.000	5.000	QP4
2012	180,000	4.250	4.250	QE9	2022	285,000	5.000	5.040	QR0
2013	190,000	4.400	4.400	QF6	2023	300,000	5.000	5.075	QS8
2014	195,000	4.500	4.500	QG4	2024	315,000	5.000	5.100	QT6
2015	205,000	4.500	4.600	QH2	2025	330,000	5.000	5.120	QU3
2016	215,000	4.600	4.700	QJ8					

\$1,490,000 5.000% Term Bond Due September 1, 2029 Price: 97.814% CUSIP: 777870 QV1

\$3,420,000 5.000% Term Bond Due September 1, 2036 Price: 96.788% CUSIP: 777870 QQ2

† Copyright 2005, American Bankers Association. CUSIP data herein are provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc., and are provided for convenience of reference only. Neither the City nor the Underwriter assumes any responsibility for the accuracy of these CUSIP data.

The Bonds are offered when, as and if issued, subject to approval as to their legality by Jones Hall, a Professional Law Corporation, San Francisco, California, Bond Counsel. Certain legal matters will also be passed on by Jones Hall, as Disclosure Counsel. Certain legal matters will be passed upon for the City by the City Attorney. It is anticipated that the Bonds will be available for delivery to DTC on or about November 17, 2005 in New York, New York.

STONE & YOUNGBERG LLC

CITY OF ROSEVILLE, CALIFORNIA

City Council

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

City Staff

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

SPECIAL SERVICES

Bond Counsel

Jones Hall, A Professional Law Corporation
San Francisco, California

Fiscal Agent

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

Financial Advisor

Public Financial Management, Inc.
San Francisco, California

Appraiser

Seevers Jordan Ziegenmeyer
Rocklin, California

Special Tax Consultant

Economic & Planning Systems
Sacramento, California

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not 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 City, in any press release and in any oral statement made with the approval of an authorized officer of the City, 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 City since the date hereof.

Limit of Offering. No dealer, broker, salesperson or other person has been authorized by the City 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 City 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, their 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. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof. All summaries of the documents referred to in this Official Statement, are made subject to the provisions of such documents, respectively, and do not purport to be complete statements of any or all of such provisions.

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.

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OFFICIAL STATEMENT

\$9,165,000
CITY OF ROSEVILLE
LONGMEADOW PARKSIDE COMMUNITY FACILITIES DISTRICT NO. 1
(PUBLIC FACILITIES)
SPECIAL TAX BONDS
SERIES 2005

This Official Statement, including the cover page and all Appendices hereto, is provided to furnish certain information in connection with the issuance by the City of Roseville (the “**City**”) by and through its Longmeadow Parkside Community Facilities District No. 1 (Public Facilities) (the “**Community Facilities District**” or the “**District**”) of the bonds captioned above (the “**Bonds**”).

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Definitions of certain terms used herein and not defined herein have the meaning set forth in the Fiscal Agent Agreement. See “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT.”

INTRODUCTION

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

Creation of the District. The Bonds are issued pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982, as amended (Sections 53311, *et seq.*, of the Government Code of the State of California) (the “**Act**”) and pursuant to a Fiscal Agent Agreement dated as of November 1, 2005 (the “**Fiscal Agent Agreement**”) between the City and The Bank of New York Trust Company, N.A., San Francisco, California, as fiscal agent (the “**Fiscal Agent**”) and Resolution No. 05-538 (the “**Resolution**”) adopted on October 19, 2005 by the City Council of the City (the “**City Council**”) which authorized the issuance of a maximum of \$11,500,000 of bonds payable from Special Taxes (as defined herein) levied on property within the District according to a methodology approved by the City. No additional bonds (excluding possible refunding bonds) are allowed to be issued in the future under the Fiscal Agent Agreement.

Bond Terms. The Bonds will be dated as of and bear interest from the date of delivery thereof at the rate or rates set forth on the cover page of this Official Statement. Interest on the Bonds is payable on March 1 and September 1 of each year (each an “**Interest Payment Date**”), commencing March 1, 2006. The Bonds will be issued without coupons in denominations of \$5,000 or any integral multiple thereof.

Registration of Ownership of Bonds. The Bonds will be issued only as fully registered bonds in book-entry form, registered in the name of Cede & Co., as nominee of The Depository Trust Company (“**DTC**”). Ultimate purchasers of Bonds will not receive physical certificates representing their interest in the Bonds. So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the Owners will mean Cede & Co., and will not mean the ultimate purchasers of the Bonds. Payments of the principal, premium, if any, and interest on the Bonds will be made directly to DTC, or its nominee, Cede & Co. so long as DTC or Cede & Co. is the registered owner of the Bonds. Disbursements of such payments to DTC’s Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC’s Participants and Indirect Participants, as more fully described herein. See “APPENDIX G – BOOK-ENTRY SYSTEM.”

Use of Proceeds. Proceeds of the Bonds will primarily be used to finance the cost of acquiring and constructing certain public infrastructure improvements (the “**Improvements**,” as described herein), generally including roadways and roadway related improvements, and other miscellaneous local and regional improvements. Construction of the Improvements by the Developer (described herein) is underway and is substantially complete. Proceeds of the Bonds will also be used to finance certain development fees related to the new development planned in the City. The cost of a portion of the Improvements will be reimbursed by the proceeds of the Bonds, and the Developer is required to fund any remaining shortfall. See “THE IMPROVEMENTS.” Proceeds of the Bonds will also be used to establish a reserve fund (described below) available for payment on the Bonds, to provide capitalized interest until September 1, 2006 and to pay cost of issuance of the Bonds.

Source of Payment of the Bonds. The Bonds are payable from special taxes (the “**Special Tax**” or “**Special Taxes**”) which are to be levied by the City on taxable real property within the boundaries of the District. The Bonds are also payable from the proceeds of any foreclosure actions brought following a delinquency in payment of the Special Taxes, and from amounts held in certain funds and accounts pursuant to the Fiscal Agent Agreement, including a reserve fund, all as more fully described herein. The Special Tax applicable to each taxable parcel in the District will be levied and collected according to the tax liability determined by the City Council through the application of a rate and method of apportionment of Special Tax for the District (the “**Special Tax Formula**”) which has been approved by the City. The Special Tax Formula is set forth in APPENDIX A hereto. The Special Taxes represent liens on the parcels of land subject to a Special Tax and failure to pay the Special Taxes could result in proceedings to foreclose the delinquent property. The Special Taxes do not constitute the personal indebtedness of the owners of taxed parcels. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Special Tax Methodology” and “APPENDIX A — RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.” The maximum authorized indebtedness for the District is \$11,500,000 million; no additional bonds (excluding possible refunding bonds) are allowed to be issued in the future under the Fiscal Agent Agreement.

In the Fiscal Agent Agreement, the City directs the Fiscal Agent to establish a Reserve Fund (the “**Reserve Fund**”) from Bond proceeds in the amount of the Reserve Requirement, which amount is available to be transferred to the Bond Fund in the event of delinquencies in the payment of the Special Taxes, to the extent of such delinquencies. The Reserve Fund is required to be maintained at the Reserve Requirement from moneys available under the Fiscal Agent Agreement. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Reserve

Fund.” If there are additional delinquencies after depletion of funds in the Reserve Fund, the City is not obligated to pay the Bonds or supplement the Reserve Fund.

Property Subject to the Special Tax. The District consists of two non-contiguous single-family residential subdivisions identified as Longmeadow at Crocker Ranch (“**Longmeadow**”) and Parkside Estates (“**Parkside**”). Longmeadow is situated along the north line of Blue Oaks Boulevard, east of Woodcreek Oaks Boulevard. Parkside is located at the southeast quadrant of Junction Boulevard and Porter Drive. Both properties are located in the northwestern portion of the City, however they are approximately 3 miles apart. The land in the District currently ranges from undeveloped to completed in-tract improvements with some houses currently under construction, and comprises approximately 87 acres planned for 579 single family residential units. All of the land in the District was master planned by homebuilder John Mourier Construction, Inc., Roseville, California (“**JMC**” or the “**Developer**”), which acquired the land for lot development and sale to homeowners. The Developer currently plans to build and sell most, if not all, of the planned single family homes in the District. Construction of homes by the Developer began in March 2005 in Parkside and in August 2005 in Longmeadow with closings of initial sales expected by the end of 2005. Land in the District also includes public parks not subject to the Special Tax. See “THE DISTRICT.”

Appraised Value of Property. Property in the District is security for the Special Tax. The City authorized the preparation of an appraisal report for the real property within the District, which sets forth a total bulk sale discounted value of property in the District of \$70,100,000, as of June 20, 2005, which value has been reaffirmed as of October 3, 2005. The valuation assumes completion of the Improvements funded by the Bonds and accounts for the impact of the lien of the Special Tax securing the Bonds. See “THE IMPROVEMENTS.” In considering the estimates of value evidenced by the appraisal, it should be noted that the appraisal is based upon a number of standard and special assumptions which affected the estimates as to value, in addition to the assumption of completion of the Improvements. The Improvements to be paid for with proceeds of the Bonds are not substantially complete. See “APPRAISAL OF PROPERTY WITHIN THE DISTRICT” and Appendix B. The appraised bulk sale valuation of property in the District is 7.6 times the \$9,165,000 aggregate principal amount of the Bonds.

Risks of Investment. See the section of this Official Statement entitled “SPECIAL RISK FACTORS” for a discussion of special factors that should be considered, in addition to the other matters set forth herein, in considering the investment quality of the Bonds.

Limited Obligation of the City. The general fund of the City is not liable and the full faith and credit of the City is not pledged for the payment of the interest on, or principal of or redemption premiums, if any, on the Bonds. The Bonds are not secured by a legal or equitable pledge of or charge, lien or encumbrance upon any property of the City or any of its income or receipts, except the money in the Special Tax Fund (described herein) established under the Fiscal Agent Agreement, and neither the payment of the interest on nor principal of or redemption premiums, if any, on the Bonds is a general debt, liability or obligation of the City. The Bonds do not constitute an indebtedness of the City within the meaning of any constitutional or statutory debt limitation or restrictions and neither the City Council, the City nor any officer or employee thereof are liable for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds other than from the proceeds of the Special Taxes and the money in the Special Tax Fund, as provided in the Fiscal Agent Agreement.

Summary of Information. Brief descriptions of certain provisions of the Fiscal Agent Agreement, the Bonds and certain other documents are included herein. The descriptions and summaries of documents herein do not purport to be comprehensive or definitive, and reference is made to each such document for the complete details of all its respective terms and conditions, copies of which are available for inspection at the office of the Administrative Services Director of the City. All statements herein with respect to certain rights and remedies are qualified by reference to laws and principles of equity relating to or affecting creditors' rights generally. Capitalized terms used in this Official Statement and not otherwise defined herein have the meanings ascribed to such terms in the Fiscal Agent Agreement. The information and expressions of opinion herein speak only as of the date of this Official Statement and are subject to change without notice. Neither delivery of this Official Statement, any sale made hereunder, nor any future use of this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the City or the District since the date hereof.

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. For definitions of certain terms used herein and not defined herein, see "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT."

THE BONDS

Authority for Issuance

The Bonds are issued pursuant to the Fiscal Agent Agreement, approved by Resolution No. 05-538 adopted by the City Council on October 19, 2005, and the Act.

On October 19, 2005, the City Council adopted Resolution No. 05-536 (the "**Resolution of Formation**"), which formed the District. The District was established and authorized to incur bonded indebtedness in an aggregate principal amount not to exceed \$11,500,000 at a special election in the District held on the same day. Under the provisions of the Act, since there were fewer than 12 registered voters residing within the District at a point during the 90-day period preceding the adoption of the Resolution of Formation, the qualified electors entitled to vote in the special election consisted of the Developer. The landowner voted to incur the indebtedness and to approve the annual levy of Special Taxes to be collected within the District, for the purpose of paying for the Improvements, including repaying any indebtedness of the District, replenishing the Reserve Fund and paying the administrative expenses of the District. See "THE DISTRICT" herein. The Bonds are the first and only series to be issued under the authorization; no additional bonds are expected to be issued, except that refunding bonds may be issued in the future.

Description of the Bonds

Bond Terms. The Bonds will be dated as of and bear interest from the date of delivery thereof at the rates and mature in the amounts and years, as set forth on the cover page hereof. The Bonds are being issued in the denomination of \$5,000 or any integral multiple thereof.

Interest on the Bonds will be payable semiannually on March 1 and September 1 of each year (each an "**Interest Payment Date**"), commencing March 1, 2006. The principal of the Bonds and premiums due upon the redemption thereof, if any, will be payable in lawful money of the United States of America at the principal corporate trust office of the Fiscal Agent in San Francisco, California, or such other place as designated by the Fiscal Agent, upon presentation and surrender of the Bonds; provided that so long as any Bonds are in book-entry form,

payments with respect to such Bonds will be made by wire transfer, or such other method acceptable to the Fiscal Agent, to DTC.

Book-Entry Only System. The Bonds are being issued as fully registered bonds, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), and will be available to ultimate purchasers under the book-entry system maintained by DTC. Ultimate purchasers of Bonds will not receive physical certificates representing their interest in the Bonds. So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the Owners will mean Cede & Co., and will not mean the ultimate purchasers of the Bonds. The Fiscal Agent will make payments of the principal, premium, if any, and interest on the Bonds directly to DTC, or its nominee, Cede & Co., so long as DTC or Cede & Co. is the registered owner of the Bonds. Disbursements of such payments to DTC’s Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC’s Participants and Indirect Participants, as more fully described herein. See “APPENDIX G –BOOK ENTRY SYSTEM.” below.

Calculation and Payment of Interest. Interest on the Bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Bonds (including the final interest payment upon maturity or earlier redemption) is payable by check of the Fiscal Agent mailed on each Interest Payment Date by first class mail to the registered Owner thereof at such registered Owner’s address as it appears on the registration books maintained by the Fiscal Agent at the close of business on the Record Date preceding the Interest Payment Date, or by wire transfer made on such Interest Payment Date upon written instructions received by the Fiscal Agent on or before the Record Date preceding the Interest Payment Date, of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds; provided that so long as any Bonds are in book-entry form, payments with respect to such Bonds will be made by wire transfer, or such other method acceptable to the Fiscal Agent, to DTC. See “APPENDIX G – BOOK ENTRY SYSTEM” below.

Each Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof unless (i) it is authenticated on an Interest Payment Date, in which event it will bear interest from such date of authentication, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the Record Date preceding such Interest Payment Date, in which event it will bear interest from such Interest Payment Date, or (iii) it is authenticated prior to the Record Date preceding the first Interest Payment Date, in which event it will bear interest from the Dated Date; provided, however, that if at the time of authentication of a Bond, interest is in default thereon, such Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon. So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, payments of the principal, premium, if any, and interest on the Bonds will be made directly to DTC, or its nominee, Cede & Co. Disbursements of such payments to DTC’s Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC’s Participants and Indirect Participants, as more fully described herein. See “APPENDIX G – BOOK ENTRY SYSTEM” below.

Redemption

Optional Redemption. The Bonds are subject to optional redemption from any source of available funds prior to maturity, in whole, or in part among maturities as specified by the City and by lot within a maturity, on any Interest Payment Date, at the following respective redemption prices (expressed as percentages of the principal amount of the Bonds to be redeemed), plus accrued interest thereon to the date of redemption:

<u>Redemption Dates</u>	<u>Redemption Price</u>
Interest Payment Dates Through March 1, 2012	103%
September 1, 2012 and March 1, 2013	102
September 1, 2013 and March 1, 2014	101
September 1, 2014 and Interest Payment Dates thereafter	100

Mandatory Redemption From Prepayments. The Bonds are subject to mandatory redemption from prepayments of the Special Tax by property owners, in whole or in part among maturities as specified by the City and by lot within a maturity, on any Interest Payment Date at the following respective redemption prices (expressed as percentages of the principal amount of the Bonds to be redeemed), plus accrued interest thereon to the date of redemption:

<u>Redemption Dates</u>	<u>Redemption Price</u>
Interest Payment Dates Through March 1, 2012	103%
September 1, 2012 and March 1, 2013	102
September 1, 2013 and March 1, 2014	101
September 1, 2014 and Interest Payment Dates thereafter	100

The Developer has entered into an agreement with the local school district giving the school district an option to purchase certain undeveloped property in the District. In the event the option is exercised, the Developer is required to prepay a portion of the Bonds on or before the date of transfer of title to the school district. See "THE DISTRICT – Anticipated Development in the District – Possible Sale of School Site."

Mandatory Sinking Fund Redemption. The Term Bonds maturing September 1, 2029, and September 1, 2036, respectively, are subject to mandatory sinking payment redemption in part on September 1, 2026, and September 1, 2030, respectively, and on each September 1 thereafter to maturity, by lot, at a redemption price equal to 100% of the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts as set forth in the following tables:

Term Bond of 2029

<u>Mandatory Redemption Date (September 1)</u>	<u>Sinking Fund Payment</u>
2026	\$345,000
2027	365,000
2028	380,000
2029 (maturity)	400,000

Term Bond of 2036

Mandatory Redemption Date (September 1)	Sinking Fund Payment
2030	\$420,000
2031	440,000
2032	465,000
2033	485,000
2034	510,000
2035	535,000
2036 (maturity)	565,000

The amounts in the foregoing tables will be reduced pro rata, in order to maintain substantially level debt service, as a result of any prior partial optional redemption or mandatory redemption of the Bonds.

Purchase In Lieu of Redemption. In lieu of redemption, moneys in the Bond Fund may be used and withdrawn by the Fiscal Agent for purchase of Outstanding Bonds, upon the filing with the Fiscal Agent of an Officer's Certificate requesting such purchase, at public or private sale as and when, and at such prices (including brokerage and other charges) as such Officer's Certificate may provide, but in no event may Bonds be purchased at a price in excess of the principal amount thereof, plus interest accrued to the date of purchase.

Redemption Procedure by Fiscal Agent. The Fiscal Agent will cause notice of any redemption to be mailed by first class mail, postage prepaid, at least 30 days but not more than 60 days prior to the date fixed for redemption, to the Securities Depositories and to one or more Information Services, and to the respective registered Owners of any Bonds designated for redemption, at their addresses appearing on the Bond registration books in the Principal Office of the Fiscal Agent; but such mailing is not a condition precedent to such redemption and failure to mail or to receive any such notice, or any defect therein, will not affect the validity of the proceedings for the redemption of such Bonds.

Such notice will state the redemption date and the redemption price and, if less than all of the then Outstanding Bonds are to be called for redemption, will designate the CUSIP numbers and Bond numbers of the Bonds to be redeemed by giving the individual CUSIP number and Bond number of each Bond to be redeemed or will state that all Bonds between two stated Bond numbers, both inclusive, are to be redeemed or that all of the Bonds of one or more maturities have been called for redemption, will state as to any Bond called in part the principal amount thereof to be redeemed, and will require that such Bonds be then surrendered at the Principal Office of the Fiscal Agent for redemption at the said redemption price, and will state that further interest on such Bonds will not accrue from and after the redemption date.

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

Whenever provision is made in the Fiscal Agent Agreement for the redemption of less than all of the Bonds of any maturity, the Fiscal Agent will select the Bonds to be redeemed, from all Bonds or such given portion thereof of such maturity by lot in any manner which the Fiscal Agent in its sole discretion deems appropriate. Upon surrender of Bonds redeemed in part only, the City will execute and the Fiscal Agent will authenticate and deliver to the registered Owner,

at the expense of the City, a new Bond or Bonds, of the same series and maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond or Bonds.

Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the principal of, and interest and any premium on, the Bonds so called for redemption are deposited in the Bond Fund, such Bonds so called will cease to be entitled to any benefit under the Fiscal Agent Agreement other than the right to receive payment of the redemption price, and no interest will accrue thereon on or after the redemption date specified in such notice.

Transfer or Exchange of Bonds

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 or exchanged by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a duly written instrument of transfer in a form approved by the Fiscal Agent. Whenever any Bond or Bonds are surrendered for transfer or exchange, the City will execute and the Fiscal Agent will authenticate and deliver a new Bond or Bonds, for a like aggregate principal amount of Bonds of authorized denominations and of the same maturity. The cost for any services rendered or any expenses incurred by the Fiscal Agent in connection with any such transfer or exchange will be paid by the City. The Fiscal Agent will collect from the Owner requesting such transfer any tax or other governmental charge required to be paid with respect to such transfer or exchange.

No transfers or exchanges of Bonds will be required to be made (i) within 15 days prior to the date established by the Fiscal Agent for selection of Bonds for redemption or (ii) with respect to a Bond after such Bond has been selected for redemption.

ESTIMATED SOURCES AND USES OF FUNDS

A summary of the estimated sources and uses of funds associated with the sale of the Bonds follows:

Estimated Sources of Funds:	
Principal Amount of Bonds	\$9,165,000.00
Less Original Issue Discount	<u>(167,963.05)</u>
Total	\$8,997,036.95
Estimated Uses of Funds:	
Deposit to Improvement Fund	\$7,663,621.14
Deposit to Reserve Fund	593,250.00
Deposit to Bond Fund ⁽¹⁾	347,079.56
Costs of Issuance ⁽²⁾	<u>393,086.25</u>
Total	\$8,997,036.95

⁽¹⁾ Represents capitalized interest up to and including September 1, 2006.

⁽²⁾ Includes fees of Bond Counsel, initial fees, expenses and charges of the Fiscal Agent, costs of printing the Official Statement, administrative fees of the City, special tax consultant, appraiser, Underwriter's discount, financial advisory fees, and other costs of issuance.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Special Taxes

A Special Tax applicable to each taxable parcel in the District will be levied and collected according to the tax liability determined by the City Council through the application of the Special Tax Formula prepared by Economic & Planning Systems, Sacramento, California (the “**Special Tax Consultant**”) and set forth in APPENDIX A hereto for all taxable properties in the District. Interest and principal on the Bonds is payable from the annual Special Taxes to be levied and collected on taxable property within the District, from amounts held in the funds and accounts established under the Fiscal Agent Agreement (other than the Rebate Fund) and from the proceeds, if any, from the sale of such property for delinquency of such Special Taxes.

The Special Taxes are exempt from the property tax limitation of Article XIII A of the California Constitution, pursuant to Section 4 thereof as a “special tax” authorized by a two-thirds vote of the qualified electors. The levy of the Special Taxes was authorized by the City pursuant to the Act in an amount determined according to the Special Tax Formula approved by the City. See “Special Tax Methodology” below and “APPENDIX A — RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.”

The amount of Special Taxes that the District may levy in any year, and from which principal and interest on the Bonds is to be paid, is strictly limited by the maximum rates approved by the qualified electors within the District which are set forth as the annual “**Maximum Annual Special Tax**” in the Special Tax Formula. Under the Special Tax Formula, Special Taxes for the purpose of making payments on the Bonds will be levied annually in an amount, not in excess of the annual Maximum Annual Special Tax. The Special Taxes and any interest earned on the Special Taxes constitute a trust fund for the principal of and interest on the Bonds pursuant to the Fiscal Agent Agreement and, so long as the principal of and interest on these obligations remains unpaid, the Special Taxes and investment earnings thereon will not be used for any other purpose, except as permitted by the Fiscal Agent Agreement, and will be held in trust for the benefit of the owners thereof and will be applied pursuant to the Fiscal Agent Agreement. The Special Tax Formula apportions the Special Tax Requirement (as defined in the Special Tax Formula and described below) among the taxable parcels of real property within the District according to the rate and methodology set forth in the Special Tax Formula. See “Special Tax Methodology” below. See also “APPENDIX A — RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.”

The City may levy the Special Tax at the annual Maximum Annual Special Tax rate, which has been authorized by the qualified electors within the District, as set forth in the Special Tax Formula, if conditions so require. The City has covenanted to annually levy the Special Taxes in an amount at least sufficient to pay the Special Tax Requirement (as defined below). Because each Special Tax levy is limited to the annual Maximum Annual Special Tax rates authorized as set forth in the Special Tax Formula, no assurance can be given that, in the event of Special Tax delinquencies, the amount of the Special Tax Requirement will in fact be collected in any given year. See “SPECIAL RISK FACTORS — Tax Delinquencies” herein. The Special Taxes are collected for the City by the County of Placer in the same manner and at the same time as *ad valorem* property taxes.

Special Tax Methodology

The Special Tax authorized under the Act applicable to land within the District will be levied and collected according to the tax liability determined by the City through the application of the appropriate amount or rate as described in the Special Tax Formula set forth in

“APPENDIX A — RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.” Capitalized terms set forth in this section and not otherwise defined have the meanings set forth in the Special Tax Formula.

Determination of Annual Costs. Each year, the City will determine the Annual Costs of the District for the upcoming fiscal year. The “**Annual Costs**” include the following items:

- (i) debt service on the Bonds;
- (ii) administrative expenses and County fees;
- (iii) any amounts needed to replenish bond reserve funds and to pay for delinquencies in Special Taxes for the previous Fiscal Year or anticipated for the current year; and
- (iv) pay-as-you-go expenditures for authorized improvements and development-related fees.

The Annual Costs are the basis for the amount of Special Tax to be levied within the District. In no event may the City levy a Special Tax in any year above the Maximum Annual Special Tax identified for each parcel in the Special Tax Formula.

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

Classification of Parcels. The Special Tax Formula provides that the Special Tax will be levied against property in the District up to the maximum in an amount and in the order set forth in the Special Tax Formula, which varies based on the parcel’s classification as a an Original Parcel or Successor Parcel. Each Original Parcel or Successor Parcel is classified as a “Developed Parcel” or a “Large Lot Parcel.” Within the Developed Parcel classification, each parcel will be classified as a “Market Rate Unit” or an “Affordable Unit”; 28 (of the 32 total) of the Affordable Units in the District are assigned a reduced Special Tax. The Special Tax Formula describes in detail the precise method for assigning the Maximum Annual Special Tax to parcels within the District, which generally provides that each year the City will use the definitions contained in the Special Tax Formula to classify each Taxable Parcel as an Original Parcel or a Successor Parcel and the Special Tax assigned in the amount shown in a schedule attached to the Special Tax Formula. See “Levy of Annual Special Tax; Maximum Annual Special Tax.”

Annual Special Tax Levy. The Special Tax will be levied each year by comparing the Annual Costs to the Maximum Special Tax Revenue to be generated by all Taxable Parcels; if the Annual Costs are less than the Maximum CFD Revenue, the Special Tax levy will be decreased proportionately for each Taxable Parcel until the Special Tax revenue equals the Annual Costs. During the first five fiscal years in which the Special Tax is levied, the Maximum Annual Special Tax will be levied for all Taxable Parcels and Annual Costs during this period will include the maximum amount which may be levied for pay-as-you-go expenditure reimbursement to the Developer for Authorized Facilities not financed from proceeds of the Bonds.

Termination of the Special Tax. The Special Tax will be levied and collected for as long as needed to pay the principal and interest on the Bonds and other costs incurred in order to construct the authorized District-funded facilities and to pay the Annual Costs. The Special

Tax Formula provides that the Special Tax may not be levied on any parcel in the District after fiscal Year 2039-40. When all Annual Costs incurred by the District have been paid, the Special Tax will cease to be levied.

Prepayment of the Special Tax. The Special Tax Formula provides that landowners may permanently satisfy the Special Tax by a cash settlement with the City, subject to the conditions set forth in the Special Tax Formula: (i) the prepayment is based on the Maximum Annual Special Tax for the prepaying parcel at the time of prepayment, and (ii) the City determines that the prepayment does not jeopardize its ability to make timely payments of debt service on the Bonds. The prepayment amount will be established using the formula set forth in the Special Tax Formula, which is generally based on the Parcel's share of the outstanding Bonds, the Reserve Fund, fees, call premiums, negative arbitrage and any expenses incurred by the City in connection with the prepayment.

Levy of Annual Special Tax; Maximum Annual Special Tax

The annual Special Tax will be calculated by the City and levied to provide money for debt service on the Bonds, replenishment of the Reserve Fund, anticipated Special Tax delinquencies, administration of the District, and for payment of pay-as-you-go expenditures of the Improvements or authorized District-funded facilities not funded from Bond proceeds. In no event may the City levy a Special Tax in any year above the Maximum Annual Special Tax identified for each parcel in the Special Tax Formula. See "APPENDIX A - RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX."

The Special Tax will be levied in an amount at least equal to the Annual Costs as described in the Special Tax Formula and may be levied in an amount up to the maximum rates, which may include a pay-as-you-go component. The total Maximum Annual Special Tax levy for the District is \$653,344. The Developer expects to utilize the pay-as-you-go component to pay for and/or reimburse the Developer the cost of improvements related to certain development fees authorized to be funded by the District but which are not funded from proceeds of the Bonds, provided that the City expects to limit the period for such reimbursement to 5 years, commencing on the first day of the first fiscal year for which Special Taxes are levied. The following table shows the Maximum Annual Special Tax for the planned single family homes in the District as shown in the Special Tax Formula, calculated based upon the Developer's currently anticipated development plan for 579 units in the District. The per lot amount may change due to differences in the actual number of homes constructed. See "THE DISTRICT."

City of Roseville Longmeadow Parkside Community Facilities District No. 1 Maximum Annual Special Tax Per Single-Family Lot

	No. of Lots	Max. Annual Special Tax
Longmeadow Village 1	144	\$1,584/lot
Longmeadow Village 2: Market Units	368	1,104/lot
Longmeadow Village 2: Low & Middle Income Units	32	120/lot ⁽¹⁾
Parkside Estates	35	320/lot
	579	

⁽¹⁾ Four of the 32 low- and middle-income lots will bear the Special Tax at the \$1,104/lot levy amount.

Proceeds of the annual Special Tax levy will first be used to pay the Annual Costs other than pay-as-you-go expenditures and second, if the levy included a pay-as-you-go component, for deposit into the Improvement Fund for authorized costs not funded from Bond proceeds. The pay-as-you-go component of the Special Tax Formula may be utilized in the event the cost of the Improvements exceeds the amounts in the Improvement Fund available therefor and the

Developer elects not to pay such deficiency from other available sources of funds. The Developer expects to receive reimbursement for the cost of a portion of the Improvements not funded from Bond proceeds through the pay-as-you-go component of the Special Tax. See "THE IMPROVEMENTS" and "APPRAISAL OF PROPERTY WITHIN THE DISTRICT." See also "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Special Tax Methodology" above. See "APPENDIX A - RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX" for a copy of the Special Tax Formula.

Special Tax Fund

When received, the Special Taxes are required under the Fiscal Agent Agreement to be deposited into a Special Tax Fund to be held by the City in trust for the benefit of the City and the Owners of the Bonds. Within the Special Tax Fund, the City will establish and maintain two accounts, (i) the Debt Service Account, to the credit of which the City will deposit, immediately upon receipt, all Special Tax revenue, and (ii) the Surplus Account, to the credit of which the City will deposit surplus Special Tax Revenue, if any, as described below. Moneys in the Special Tax Fund will be disbursed as provided below and, pending any disbursement, will be subject to a lien in favor of the Owners of the Bonds.

All Special Tax Revenue will be deposited in the Debt Service Account upon receipt. No later than 10 Business Days prior to each Interest Payment Date, the City will withdraw from the Debt Service Account of the Special Tax Fund and transfer (i) to the Fiscal Agent for deposit in the Reserve Fund, an amount which when added to the amount then on deposit therein is equal to the Reserve Requirement, and (ii) to the Fiscal Agent for deposit in the Bond Fund an amount, taking into account any amounts then on deposit in the Bond Fund, such that the amount in the Bond Fund equals the principal, premium, if any, and interest due on the Bonds on the next Interest Payment Date. At such time as deposits to the Debt Service Account equal the principal, premium if any, and interest becoming due on the Bonds for the current Bond Year and the amount needed to restore the Reserve Fund balance to the Reserve Requirement, the amount in the Debt Service Account in excess of such amount may, at the discretion of the City, be transferred to the Surplus Account, which will occur on or after September 15th of each year. From time to time, the City may withdraw from the Surplus Account of the Special Tax Fund amounts needed to pay the City's administrative expenses and County fees; provided that such transfers will not be in excess of the portion of the Special Tax Revenues collected by the City that represent levies for administrative expenses. Moneys in the Surplus Account may also be used, at the City's discretion, and be transferred to the Improvement Fund to pay for costs of the Improvements (including reimbursements to the Developer for the cost of Improvements not funded from the Bonds) or authorized facility contributions, to pay the principal of, premium, if any, and interest on the Bonds or to replenish the Reserve Fund to the amount of the Reserve Requirement. See "THE IMPROVEMENTS – Construction and Acquisition of the Improvements."

Deposit and Use of Proceeds of Bonds

The Bonds are additionally secured by amounts generated from proceeds of the Bonds, together with interest earnings thereon pledged under the Fiscal Agent Agreement. The proceeds of the Bonds will be paid to the Fiscal Agent, who will deposit such proceeds in the Reserve Fund, Bond Fund and Costs of Issuance Fund established under the Fiscal Agent Agreement, and transfer to the City the amounts designated for deposit into the Improvement Fund. See "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT" for information on use of the moneys, including investment earnings thereon, in the various funds established under the Fiscal Agent Agreement. See also "Reserve Fund" and "Improvement Fund" below.

Delinquent Payments of Special Tax; Covenant for Superior Court Foreclosure

The Special Tax will be collected in the same manner and the same time as *ad valorem* property taxes, except at the City's option, the Special Taxes may be billed directly to property owners. In the event of a delinquency in the payment of any installment of Special Taxes, the City is authorized by the Act to order institution of an action in superior court to foreclose the lien therefor.

The City has covenanted in the Fiscal Agent Agreement with and for the benefit of the Owners of the Bonds that it will annually on or before September 1 of each year review the public records of the County of Placer relating to the collection of the Special Tax in order to determine the amount of the Special Tax collected in the prior fiscal year, and if the City determines on the basis of such review that the amount so collected is deficient by more than 5% of the total amount of the Special Tax levied in the District in such Fiscal Year, it will within 30 days thereafter institute foreclosure proceedings as authorized by the Act in order to enforce the lien of the delinquent installment of the Special Tax against each separate lot or parcel of land in the District for which such installment of the Special Tax is delinquent, and will diligently prosecute and pursue such foreclosure proceedings to judgment and sale; *provided*, that if the City determines on the basis of such review that (a) the amount so collected is deficient by less than 5% of the total amount of the Special Tax levied in the District in such Fiscal Year, but that property owned by any single property owner in the District is delinquent by more than \$5,000 with respect to the Special Tax due and payable by such property owner in such Fiscal Year, or (b) property owned by any single property owner in the District is (i) delinquent cumulatively by more than \$3,000 with respect to the current and past Special Tax due (irrespective of the total delinquencies in the District) or (ii) delinquent for 3 years or more, then the City will institute, prosecute and pursue such foreclosure proceedings in the time and manner provided herein against each such property owner.

Under the Act, foreclosure proceedings are instituted by the bringing of an action in the superior court of the county in which the parcel lies, naming the owner and other interested persons as defendants. The action is prosecuted in the same manner as other civil actions. In such action, the real property subject to the special taxes may be sold at a judicial foreclosure sale for a minimum price which will be sufficient to pay or reimburse the delinquent special taxes.

The owners of the Bonds benefit from the Reserve Fund established pursuant to the Fiscal Agent Agreement; however, if delinquencies in the payment of the Special Taxes with respect to the Bonds are significant enough to completely deplete the Reserve Fund, there could be a default or a delay in payments of principal and interest to the owners of the Bonds pending prosecution of foreclosure proceedings and receipt by the City of the proceeds of foreclosure sales. Provided that it is not levying the Special Tax at the annual Maximum Annual Special Tax rates set forth in the Special Tax Formula, the City may adjust (but not to exceed the annual Maximum Annual Special Tax) the Special Taxes levied on all property within the District subject to the Special Tax to provide an amount required to pay debt service on the Bonds and to replenish the Reserve Fund.

Under current law, a judgment debtor (property owner) has at least 140 days from the date of service of the notice of levy in which to redeem the property to be sold. If a judgment debtor fails to redeem and the property is sold, his or her only remedy is an action to set aside the sale, which must be brought within 90 days of the date of sale. If, as a result of such an action a foreclosure sale is set aside, the judgment is revived and the judgment creditor is entitled to interest on the revived judgment as if the sale had not been made (California Code of Civil Procedure Section 701.680).

Foreclosure by court action is subject to normal litigation delays, the nature and extent of which are largely dependent upon the nature of the defense, if any, put forth by the debtor and the condition of the calendar of the superior court of the county. Such foreclosure actions can be stayed by the superior court on generally accepted equitable grounds or as the result of the debtor's filing for relief under the Federal bankruptcy laws. The Act provides that, upon foreclosure, the Special Tax lien will have the same lien priority as is provided for *ad valorem* taxes and special assessments. See "APPRAISAL OF PROPERTY WITHIN THE DISTRICT – Priority of Lien."

No assurances can be given that the real property subject to a judicial foreclosure sale will be sold or, if sold, that the proceeds of sale will be sufficient to pay any delinquent Special Tax installment. The Act does not require the District to purchase or otherwise acquire any lot or parcel of property foreclosed upon if there is no other purchaser at such sale.

Section 53356.6 of the Act requires that property sold pursuant to foreclosure under the Act be sold for not less than the amount of judgment in the foreclosure action, plus post-judgment interest and authorized costs, unless the consent of the owners of 75% of the outstanding Bonds is obtained. However, under Section 53356.6 of the Act, the District, as judgment creditor, is entitled to purchase any property sold at foreclosure using a "credit bid," where the District could submit a bid crediting all or part of the amount required to satisfy the judgment for the delinquent amount of the Special Tax. If the District becomes the purchaser under a credit bid, the District must pay the amount of its credit bid into the redemption fund established for the Bonds, but this payment may be made up to 24 months after the date of the foreclosure sale.

Reserve Fund

A Reserve Fund (the "**Reserve Fund**") for the Bonds will be established under the Fiscal Agent Agreement, to be held by the Fiscal Agent. Upon delivery of the Bonds, the amount on deposit in the Reserve Fund will be established by depositing certain proceeds of the Bonds in the amount of the "**Reserve Requirement**" for the Bonds, which is the lesser of 10% of the original principal amount of the Bonds, 100% of maximum annual debt service on the Bonds, or 125% of average annual debt service on the Bonds. The City is required to maintain an amount of money or other security equal to the Reserve Requirement in the Reserve Fund at all times that the Bonds are outstanding. All amounts deposited in the Reserve Fund will be used and withdrawn by the Fiscal Agent solely for the purpose of making transfers to the Bond Fund in the event of any deficiency at any time in the Bond Fund of the amount then required for payment of the principal of, and interest on, the Bonds. Whenever transfer is made from the Reserve Fund to the Bond Fund due to a deficiency in the Bond Fund, the Fiscal Agent will provide written notice thereof to the City.

Whenever, on the Business Day prior to any Interest Payment Date, the amount in the Reserve Fund exceeds the then applicable Reserve Requirement, the Fiscal Agent will transfer an amount equal to the excess from the Reserve Fund to the Bond Fund or the Improvement Fund as provided below, except that investment earnings on amounts in the Reserve Fund may be withdrawn from the Reserve Fund for purposes of making payment to the Federal government to comply with rebate requirements.

Moneys in the Reserve Fund will be invested and deposited in accordance with the Fiscal Agent Agreement. Interest earnings and profits resulting from the investment of moneys in the Reserve Fund and other moneys in the Reserve Fund will remain therein until the balance exceeds the Reserve Requirement; any amounts in excess of the Reserve Requirement will be transferred to the Improvement Fund, if the Improvements have not been completed, or if the

Improvements have been completed, to the Bond Fund to be used for the payment of the principal of and interest on the Bonds in accordance with the Fiscal Agent Agreement.

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

Improvement Fund

Under the Fiscal Agent Agreement, there is established an Improvement Fund, which is to be held in trust by the City and will be disbursed as provided in the Fiscal Agent Agreement for the payment or reimbursement of the costs of the construction and acquisition of the Improvements in accordance with the Acquisition Agreement (as described herein). Interest earnings from the investment of amounts in the Improvement Fund will be retained in the Improvement Fund to be used for the purposes of the Improvement Fund.

Upon completion of the Improvements and payment to the Developer pursuant to the Acquisition Agreement, the City will transfer the amount, if any, remaining in the Improvement Fund to the Fiscal Agent for deposit in the Bond Fund for application to the payment of principal of and interest on the Bonds in accordance with the Fiscal Agent Agreement, and the Improvement Fund will be closed. See "THE IMPROVEMENTS."

Additional Bonds

In the Fiscal Agent Agreement, the City covenants that it will not authorize the issuance of additional bonds payable from Special Taxes and secured by the Special Tax Revenues equally and ratably with Bonds previously issued, provided that, the City may issue bonds secured by the Special Taxes to refund all or a portion of the Bonds.

DEBT SERVICE SCHEDULE

The annual debt service on the Bonds, based on the interest rates and maturity schedule set forth on the cover of this Official Statement, is set forth below.

LONGMEADOW PARKSIDE COMMUNITY FACILITIES DISTRICT NO. 1 (PUBLIC FACILITIES) SPECIAL TAX BONDS SERIES 2005 DEBT SERVICE

Year Ending (Sept. 1)	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	-	\$ 347,079.56*	\$ 347,079.56*
2007	\$150,000	439,960.00	589,960.00
2008	155,000	435,385.00	590,385.00
2009	160,000	430,037.50	590,037.50
2010	165,000	424,117.50	589,117.50
2011	175,000	417,682.50	592,682.50
2012	180,000	410,507.50	590,507.50
2013	190,000	402,857.50	592,857.50
2014	195,000	394,497.50	589,497.50
2015	205,000	385,722.50	590,722.50
2016	215,000	376,497.50	591,497.50
2017	225,000	366,607.50	591,607.50
2018	235,000	356,032.50	591,032.50
2019	245,000	344,870.00	589,870.00
2020	260,000	333,110.00	593,110.00
2021	270,000	320,500.00	590,500.00
2022	285,000	307,000.00	592,000.00
2023	300,000	292,750.00	592,750.00
2024	315,000	277,750.00	592,750.00
2025	330,000	262,000.00	592,000.00
2026	345,000	245,500.00	590,500.00
2027	365,000	228,250.00	593,250.00
2028	380,000	210,000.00	590,000.00
2029	400,000	191,000.00	591,000.00
2030	420,000	171,000.00	591,000.00
2031	440,000	150,000.00	590,000.00
2032	465,000	128,000.00	593,000.00
2033	485,000	104,750.00	589,750.00
2034	510,000	80,500.00	590,500.00
2035	535,000	55,000.00	590,000.00
2036	<u>565,000</u>	<u>28,250.00</u>	<u>593,250.00</u>
TOTAL	\$9,165,000	\$8,917,214.56	\$18,082,214.56

* Paid from capitalized interest.

The total Maximum Annual Special Tax levy for the District is \$653,344; based on the term structure and interest rates, the annual debt service coverage ratio on the Bonds is approximately 110%.

THE DISTRICT

Formation of the District

On August 17, 2005, the City Council adopted a Resolution of Intention to form a community facilities district under the Act, to levy a special tax and to incur bonded indebtedness for the purpose of financing the Improvements and making contributions to certain public facilities. After conducting a noticed public hearing, on October 19, 2005, the City Council adopted the Resolution of Formation, which established Longmeadow Parkside Community Facilities District No. 1 (Public Facilities), set forth the Special Tax Formula within the District and set forth the necessity to incur bonded indebtedness in a total amount not to exceed \$11.5 million. On the same day, an election was held within the District in which John Mourier Construction, Inc. (who was then the only eligible landowner voter in the District) unanimously approved the proposed bonded indebtedness and the levy of the Special Tax. See "OWNERSHIP OF PROPERTY WITHIN THE DISTRICT" below.

Location and Description of the District and the Immediate Area

The District consists of two non-contiguous single-family residential subdivisions identified as Longmeadow at Crocker Ranch ("Longmeadow") and Parkside Estates ("Parkside"). Longmeadow is situated along the north line of Blue Oaks Boulevard, east of Woodcreek Oaks Boulevard. Parkside Estates is located at the southeast quadrant of Junction Boulevard and Porter Drive, approximately 3 miles from the Longmeadow area. Both properties are located in the western portion of the City, approximately 20 miles northeast of the central business district of Sacramento. The Longmeadow community offers frontage along Blue Oaks Boulevard and Woodcreek Oaks Boulevard. The primary point of entry into Longmeadow is from the east line of Woodcreek Oaks Boulevard. Blue Oaks Boulevard is a primary east-west traffic arterial which connects to State Highway 65 and ultimately to the Interstate 80 freeway system. Interstate 80 freeway is located approximately three miles southeast of the State Highway 65/Blue Oaks Boulevard junction and merges with State Highway 65 at an interchange system. Parkside Estates has frontage along Junction Boulevard and Porter Drive, with the primary entrance point along Porter Drive.

Longmeadow is situated within the confines of four assessor's parcels identified (or prior to recent final maps identified) as 017-115-083 through -086. As final maps are approved new assessor's parcel numbers will be assigned to individual lots and some new parcel numbers have been recently assigned. Parkside represents assessor's parcels 011-270-001 through -020 and 011-280-002 through -016.

New home construction and sales are still underway in the vicinity of the District. Much of the area in this portion of the City has been experiencing a transition from largely undeveloped, agriculturally oriented uses toward a mixture of suburban land uses, and this transition has particularly intensified during the past 10 years. The predominant approved suburban land use within the City limits in the vicinity of the Longmeadow portion of the District is single family residential. The Longmeadow portion of the District is south and east of residential development, including in the Crocker Ranch and Doctor's Ranch subdivisions developed by the Developer at the junction of Blue Oaks Boulevard and Fiddymont Road. The Longmeadow portion of the District is also near to the West Roseville Specific Plan area, which permits the development of a total of 8,390 dwelling units on approximately 3,161 gross acres. Development of that area has commenced and is expected to extend for several years. Lands to the north consist primarily of agricultural and rural residential uses outside of the City limits. The Parkside portion of the District is in a longer established infill area largely surrounded by existing residential development.

North Industrial Planning Area (includes Longmeadow). The Longmeadow portion of the District constitutes a portion of the City's North Industrial Planning Area. This area is north and south of Blue Oaks Boulevard and east and west of Industrial Way in the northern area of the City. The westernmost land north of Blue Oaks Boulevard represents the residential area, which is adjacent to the North Roseville Specific Plan area to the west. The residential portion of the North Industrial Planning Area is planned for approximately 1,043 single family homes and 368 multi-family units, with another 210 currently undesignated. As of June 2005, 357 single family units have been completed and approximately 164 were under construction. The North Industrial Planning Area also includes significant commercial, business professional and industrial uses or planned uses, and includes the Hewlett Packard and NEC holdings in the City, however, as of September 2005, the Developer has an option to purchase approximately 300 acres currently included for such uses, and has filed an application with the City for rezoning of the property to mixed uses, which if approved could include up to 2,000 residential units. As of June 2005, over 6.7 million square feet of commercial and industrial use is completed, representing approximately 685 of the 1,523 acres currently planned for such uses. The residential component currently represents approximately 274 acres of the plan area.

Northwest Roseville Specific Plan Area (includes Parkside). The Parkside Estates portion of the District constitutes a portion of the City's predominantly residential Northwest Specific Plan Area. This area is entirely south of Blue Oaks Boulevard and mostly west of Foothills Boulevard. The specific plan provides for 6,915 single family homes, 6,884 of which have been completed, and approximately 346 acres of non-residential uses, approximately 115 acres of which have been developed. The Parkside project is designated in the specific plan as the "Dunmore Junction" site in the extreme southeast portion of the plan area.

Amended and Superseded Boundary Map
City of Roseville
Longmeadow Parkside
(Formerly recorded as Longmeadow Porter)
Community Facilities District No. 1
(Public Facilities)

**This Boundary Map supercedes that Boundary Map recorded as
"Longmeadow Porter Community Facilities District No. 1 (Public
Facilities)" on September 16, 2005 in Book 3 of Community
Facilities, at Page 55.**

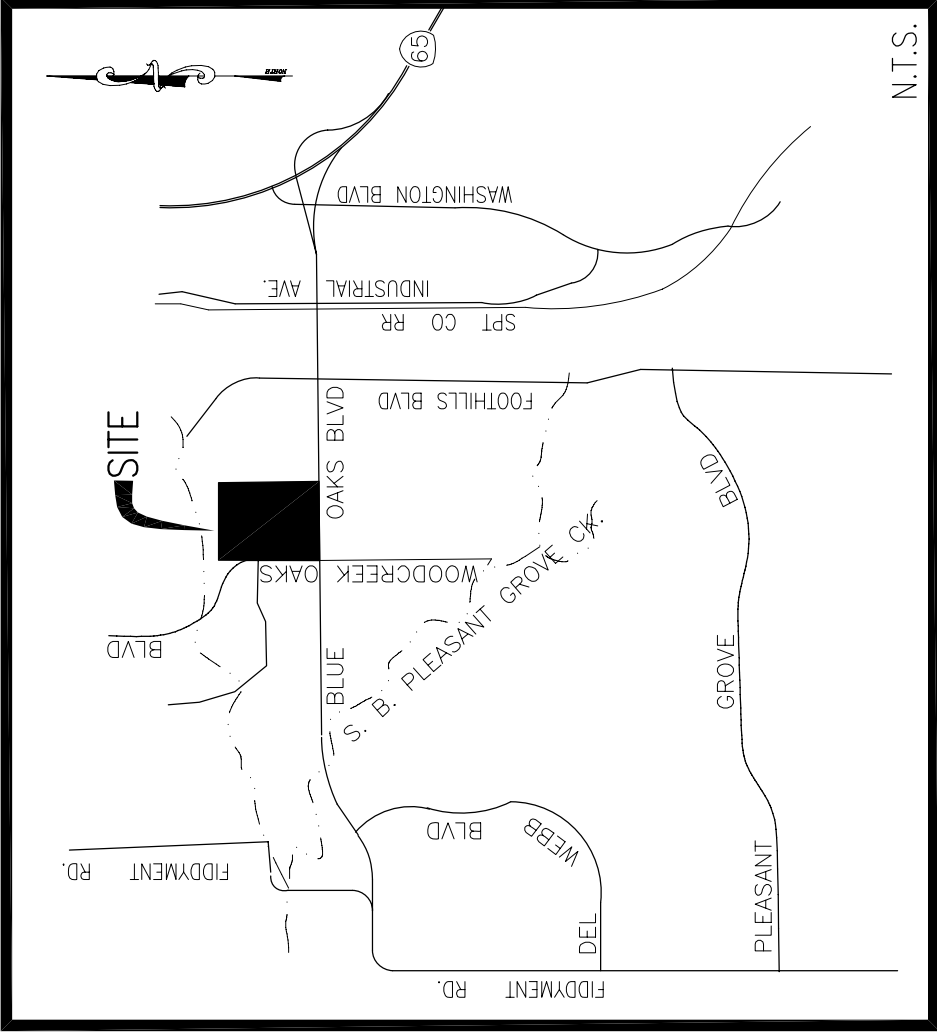
**City of Roseville, Placer County, State of California
Scale 1" = 200'**

Sheet 1 of 2

Longmeadow

New Meadow Drive

Blue Oaks Boulevard



L O C A T I O N M A P

I HEREBY CERTIFY THAT THE WITHIN MAP SHOWING THE PROPOSED BOUNDARIES OF THE CITY OF ROSEVILLE, LONGMEADOW PARKSIDE COMMUNITY FACILITIES DISTRICT NO. 1 (PUBLIC FACILITIES) CITY OF ROSEVILLE, PLACER COUNTY, CALIFORNIA, WAS APPROVED BY THE CITY COUNCIL OF THE CITY OF ROSEVILLE AT A REGULAR MEETING THEREOF, HELD ON THE _____ DAY OF _____, 2005, BY ITS RESOLUTION NO. _____.

SONIA OROZCO, CITY CLERK
CITY OF ROSEVILLE
PLACER COUNTY, CALIFORNIA

FILED IN THE OFFICE OF THE CLERK OF THE CITY OF ROSEVILLE, PLACER COUNTY, CALIFORNIA ON THIS _____ DAY OF _____, 2005.

SONIA OROZCO, CITY CLERK
CITY OF ROSEVILLE
PLACER COUNTY, CALIFORNIA

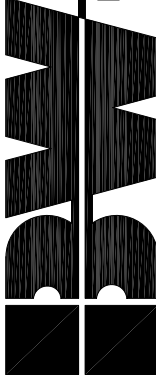
FILED THIS _____ DAY OF _____, 2005, AT THE HOUR OF _____ O'CLOCK _____ M. IN BOOK _____ OF ASSESSMENT AND COMMUNITY FACILITIES DISTRICTS. AT PAGE _____ IN THE OFFICE OF THE COUNTY RECORDER OF THE COUNTY OF PLACER, STATE OF CALIFORNIA.

JIM MCCAULEY
COUNTY RECORDER

By: _____
DEPUTY COUNTY RECORDER
COUNTY OF PLACER

Fee: _____

Instrument No.: _____



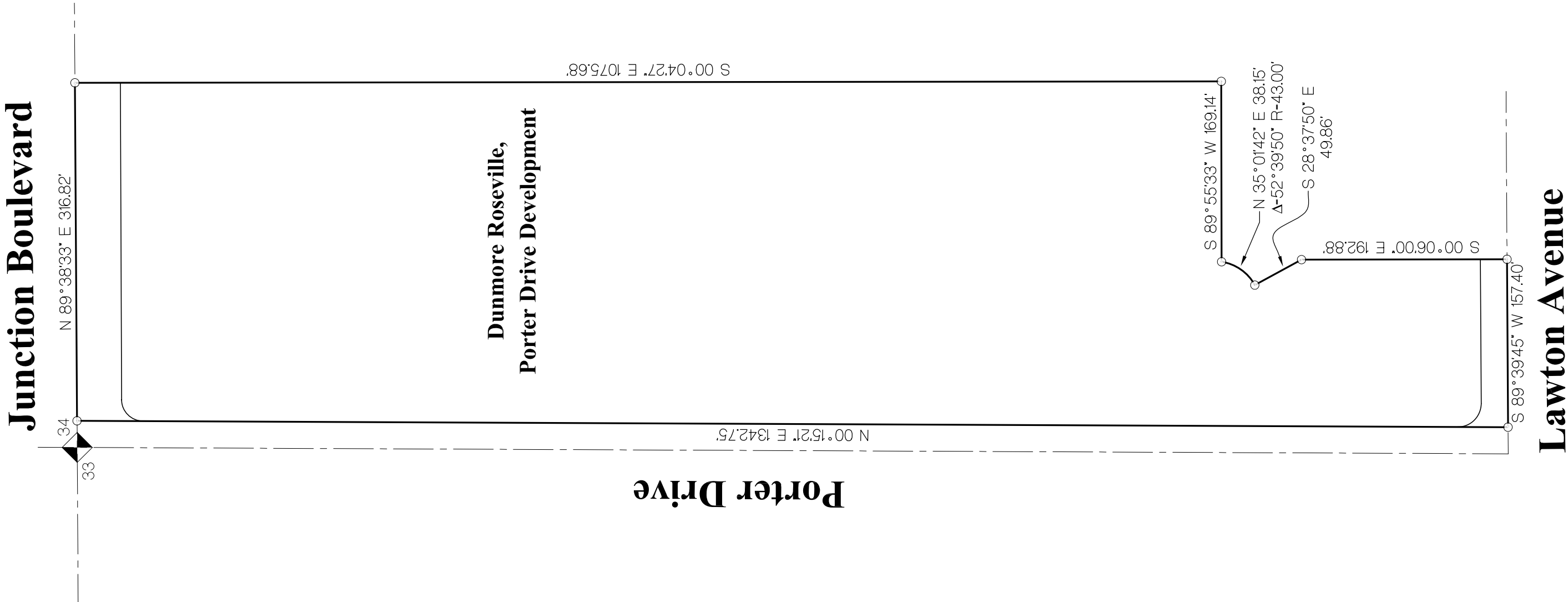
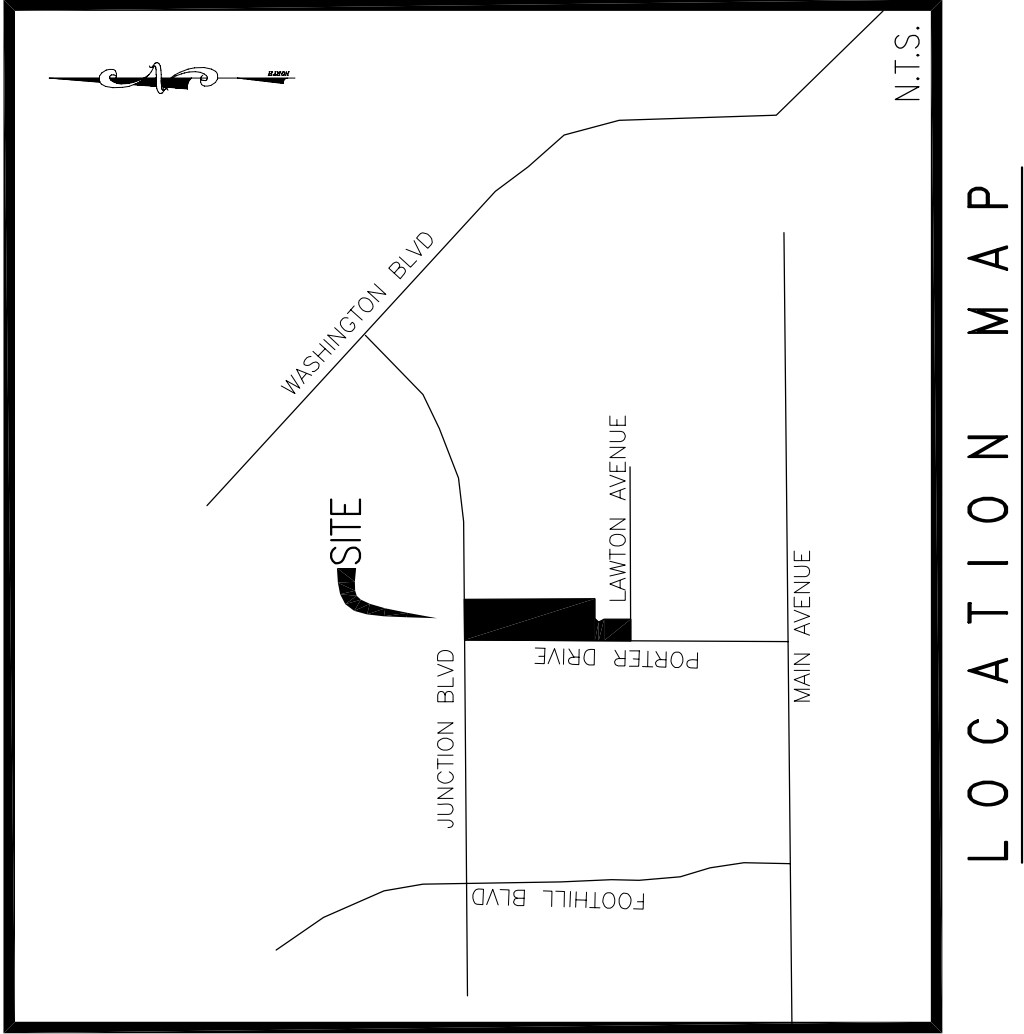
BAKER-WILLIAMS ENGINEERING GROUP
Engineering / Surveying / Land Planning / Entitlement Processing / GPS Services
6020 Rutland Drive, Suite 19 ~ Carmichael, CA. 95608
(916) 331-4336 ~ fax (916) 331-4430 ~ office@bwengineers.com

Amended and Superceded Boundary Map
City of Roseville
Longmeadow Parkside
(Formerly recorded as Longmeadow Porter)
Community Facilities District No. 1
(Public Facilities)

This Boundary Map supercedes that Boundary Map recorded as
"Longmeadow Porter Community Facilities District No. 1 (Public
Facilities)" on September 16, 2005 in Book 3 of Community
Facilities, at Page 55.

City of Roseville, Placer County, State of California
Scale 1" = 100' October 2005

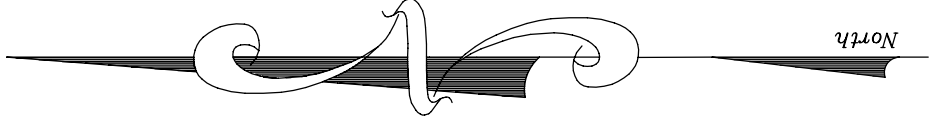
Sheet 2 of 2



Porter Drive

Dunmore Roseville,
Porter Drive Development

Lawton Avenue



LEGEND:

_____ DISTRICT BOUNDARY

Anticipated Development in the District

The Developer has provided the following information with respect to development within the District. No assurance can be given that all information is complete. No assurance can be given that development of the property will be completed, or that it will be completed in a timely manner. Since the ownership of the parcels is subject to change, the development plans outlined below may not be continued by the subsequent owner if the parcels are sold, although development by any subsequent owner will be subject to the Development Agreement and the policies and requirements of the City. No assurance can be given that the plans or projections detailed below will actually occur.

The Developer is a homebuilder and plans for development within the District to be consistent with the current approved land uses, which primarily consist of low density residential neighborhoods and, to a lesser extent, supporting uses such as parks, recreation and supporting neighborhood land uses. Permitted land uses are configured to reinforce the neighborhood identity and sense of community.

Land in the District is planned for the development of 579 single-family residential lots in two separate and distinct areas, including 32 affordable housing lots (28 of which will have a reduced Special Tax) in the Longmeadow area. Longmeadow encompasses 544 lots expected to be developed with into villages. 144 lots are proposed for Village 1, with a typical lot size of 6,000 square feet. Village 2 is planned for medium density development, with 400 lots having a typical lot size of 3,000 square feet. Of these 400 lots, 32 lots are designated for low and middle-income affordable housing units (28 of which will have a reduced Special Tax). Parkside Estates represents 35 improved lots with a typical lot size of 6,000 square feet. Home construction has commenced in both areas, as described below. To the extent the District includes land to be used for public/quasi-public uses, such as parks, such land will not be subject to the Special Tax.

Entitlements. The Longmeadow property has land-use entitlements for 472 single-family residences if Village 2, Phase 4, is acquired by the local school district, and 544 single-family residences if the school district does not exercise its option to purchase (see “Possible Sale of School Site – Longmeadow” and “Development Agreement”). The Property obtained tentative map approval in March 2004 and obtained approved final maps for Village 1 and Village 2 Phase 1 in April and June 2005, respectively. A model home complex for Village 2 was completed and opened in August 2005 and homes have been released for sale and are under construction. The Parkside area of the District is the subject of an approved final map; all of the 35 lots are finished lots, and homes are under construction on some lots.

Subdivision Maps. Longmeadow was acquired by the Developer in May 2004. The Developer received tentative map approval in March 2004 and final map approvals for Village 1 and Village 2-Phase 1 in April and May 2005, respectively. The Developer expects to obtain final maps for Village 2-Phase 2 by the end of 2005 with approvals, subject to market conditions, for Phase 3 in 2006 and Phase 4 in 2007. The Developer purchased the Parkside property in April 2004, and the previous owner received tentative map approval in August 2003. The single final map was recorded in December 2004.

The planned land use in the District is shown in the following table.

City of Roseville
Longmeadow Parkside Community Facilities District No. 1 (Public Facilities)
Summary of Proposed Land Uses (Assumes No School Site)

<u>Designation</u>	<u>Land Area (Acres)</u>	<u>No. of Lots</u>	<u>Map Status</u>	<u>Typical Lot Size</u>
<u>Longmeadow</u>				
Village 1	32.90	144	Final Map Issued	6,000
Village 2- Phase 1	16.50	145	Final Map Issued	3,000
Village 2- Phase 2	8.70	76	Final Map Expected 10/05	3,000
Village 2 Phase 3	12.40	109	Final Map Expected 2006	3,000
Village 2 Phase 4	<u>8.20</u>	<u>70</u>	Final Map Expected 2007	3,000
SUBTOTAL	78.70	544		
<u>Parkside</u>				
Village 1	<u>8.80</u>	<u>35</u>	Final Map Issued	6,000
TOTAL	87.50	579		

Possible Sale of School Site - Longmeadow. The Roseville City School District ("RCSD") has an option to purchase a 7.49± acre portion of the Longmeadow subdivision at fair market value. This option is scheduled to expire December 1, 2005. If the option is exercised, the Longmeadow lot count would be reduced by 72 lots, 70 of which are situated within Village 2-Phase 4. The school district is required to purchase the property at fair market value under the highest and best economic use and the Developer is required to prepay the Special Tax on the property on or prior to the date of transfer to RCSD. Such prepayment of the Special Tax will result in an early redemption of a portion of the Bonds. See "THE BONDS – Redemption – Mandatory Redemption From Prepayments." The estimated amount of such prepayment is approximately \$1.1 million.

Projected Construction Schedule - Longmeadow. Construction of the project's backbone infrastructure, which was funded by the Developer, commenced in fall of 2004 and is substantially complete as of October 2005. The Developer expects to develop the 544 lots in Longmeadow in two villages: Village 1 consists of 144 lots and Village 2 (which is planned for 4 phases), assuming no school site, consists of 400 lots. In-tract subdivision improvements for certain phases commenced in September 2004. As of October 2005, the Village 2-Phase 1 lot construction was complete, Village 1 and Village 2-Phase 2 subdivision improvements were approximately 90% and 80% complete, respectively, Village 2-Phase 3 has been graded, and Village 2-Phase 4 remains unimproved. See "THE IMPROVEMENTS."

Construction of homes has commenced in Village 2, with 61 homes under construction as of early September. A model home complex of five floorplans opened in late August 2005 in connection with the initial release of 12 homes; all 12 immediately became the subject of a purchase contract. Closings of these initial sale transactions are expected to occur in December 2005. The Developer has also released the 28 affordable units planned for Village 2-Phase 1. The City administers the qualification program and is screening applicants, with contracts for sale of the units expected upon completion of the City's process. The pace of home construction in the District will be determined in part by market conditions and demand for homes. The Developer expects to continue to construct and sell homes in Longmeadow according to market conditions, which construction is expected to be constant until sell-out, which is currently projected by the Developer to be in 2008.

The Developer's initial subdivision in Longmeadow is referred to as "Premier Homes" and utilizes the 3,000 square foot lots. Five model homes opened in August 2005 and sales are underway. The Village 1 models are expected to start construction in October 2005 as Longmeadow "Executive Homes". The following summarizes current development.

Longmeadow – Executive Homes (6,000 sq. ft. Lots)

<u>Expected Home Construction</u>	<u>Expected Initial Home Sales</u>	<u>First Home Sale Closings</u>	<u>No. of Floor-Plans</u>	<u>Approx. Square Footage</u>	<u>Projected Initial Price Range</u>
October 2005	February 2006	March 2006	7	1,756 to 2,866	\$500,000 - \$650,000

Longmeadow – Premier Homes (3,000 sq. ft. Lots)

<u>Began Home Construction</u>	<u>Began Home Sales</u>	<u>First Home Sale Closings</u>	<u>No. of Floor-Plans</u>	<u>Approx. Square Footage</u>	<u>Current Price Range</u>
August 2005	August 2005	December 2005	8	1,053 to 1,947	\$350,000 - \$465,000

Projected Construction Schedule – Parkside Estates. The Developer has commenced development of the 35 lots in Parkside Estates, with 21 homes released and 5 under contract as of early September 2005. The Developer expects to build and market all of the units and currently projects the final sales to occur in late 2006.

The floorplan offerings in Parkside Estates are the same as offered in the Developer's Casa Bella subdivision at Crocker Ranch in the City, with floorplans ranging from approximately 2,050 to 3,525 square feet. No model complex was built for Parkside Estates, as the models are available for viewing at Casa Bella.

The following summarizes current development in Parkside Estates.

<u>Began Home Construction</u>	<u>Began Home Sales</u>	<u>First Home Sale Closings</u>	<u>No. of Floor-Plans</u>	<u>Approx. Square Footage</u>	<u>Current Price Range</u>
March 2005	June 2005	December 2005	9	2,050 to 3,525	\$560,000 - \$694,000

Infrastructure and Utilities. The Developer is undertaking construction of infrastructure improvements in the District. Infrastructure in Parkside Estates is complete and in Longmeadow the Developer estimates it is approximately 90% complete, with full completion expected in November 2005. These improvements include basic streets, sidewalks, water, sewer, drainage, concrete curb, gutter and paving and all of the relevant utilities in the basic streets. See "THE IMPROVEMENTS - Construction and Acquisition of the Improvements and Payment of Fees" below.

Affordable Units. Under the Development Agreement, 32 of the residential units to be constructed in Longmeadow are planned to be available to buyers as detached single family residential units affordable to persons in low to middle income households. The Special Tax Formula provides that the Special Tax for 28 of the units (in Village 2-Phase 1) will be \$120.00 per year, and the remaining 4 (in Village 2-Phase 4) will have no reduction in the Special Tax levy.

Utilities. All typical urban utility services will be extended to the property in the District. These utilities include electric power, natural gas, telephone, cable television, water, and sanitary sewer and storm water facilities. The City provides electric, water, police and fire services; Pacific Gas & Electric provides natural gas. Sewer and storm water facilities are also provided by the City of Roseville.

Development Agreement – Longmeadow Property

General. The Developer is a party to a development agreement dated June 21, 2004 (the “**Development Agreement**”) with the City in accordance with applicable state and local codes. The development agreement vests development rights, sets forth infrastructure improvements and dedication requirements, secures the timing and methods for financing improvements, and specifies other performance obligations as related to development. The Development Agreement was entered into in accordance with Sections 65864 through 65869.5 of the California Government Code, as implemented through Article V, Chapter 19.84 of the City's Zoning Ordinance No. 802. The Development Agreement is the primary implementation tool for the Longmeadow property and is intended to create a binding contract between the City and the Developer and their assigned successors in interest, which sets forth the needed infrastructure improvements, park dedication requirements, timing and method for financing improvements and other specific performance obligations of the City and the Developer as such obligations relate to development of the property in the District, including the terms, conditions, rules, regulations, entitlements, vested rights and other provisions relating to the development of the property in the District according to the entitlements. Included are provisions relating to infrastructure improvements, public dedication requirements, landscaping amenities and other obligations of the parties. The Development Agreement has a 20-year term, runs with the property, and may be modified only by mutual consent of the City and the Developer and in a manner consistent with City land use requirements. With the Development Agreement in place, subject to compliance with the terms of the Development Agreement, construction of homes within the District may occur upon City approval of subdivision maps, satisfaction of certain design requirements and conditions of such maps and issuance of building permits. The Development Agreement will be binding on the Developer and all successor owner-developers of property in the District.

The Development Agreement also sets forth the responsibility of the Developer and its successors for a portion of the costs of certain public improvements required for its development. Funding of the Improvements with Bond proceeds will satisfy a portion, but not all, of the relevant obligations of the District for infrastructure improvements required by the Development Agreement. The improvements not funded from Bond proceeds or Special Taxes will be funded by the Developer. See “THE IMPROVEMENTS” below.

Environmental Matters

Flood Hazard Map Information. According to the Federal Emergency Management Agency's flood insurance rate maps (Community-Panel Number 060243-0457F, with an effective date of July 8, 1998), the developable portions of the property in the District are located within Flood Zone X, described as areas of minimal flooding (outside of the 100 and 500-year floodplains).

Seismic Conditions. According to the Seismic Safety Commission, the District is located within Zone 3, areas of moderate seismic activity. Zone 3 is considered to be the lowest risk zone in California. In addition, the subject is not located within a Fault-Rupture Hazard Zone (formerly referred to as an Alquist-Priolo Special Study Zone), as defined by Special Publication 42 of the California Department of Conservation, Division of Mines and Geology.

THE IMPROVEMENTS

Eligible Facilities

The Bonds will provide a funding source to the Developer for moneys expended for a portion of the cost of the Improvements and for certain developer fees paid or to be paid by the Developer.

The Improvements eligible to be financed by the District are set forth in the Resolution of Intention and in the Community Facilities District Hearing Report (the “**CFD Hearing Report**”) dated October 6, 2005 prepared by Economic & Planning Systems, Inc., Sacramento, California, in connection with the formation of the District.

The eligible Improvements authorized are described in the CFD Hearing Report consist generally of roadway improvements, including roadway design, project management, grading, and construction of roadways, including curbs, gutters, sidewalks, pavement, street lighting, dry utilities, landscaping, soundwalls, Community Benefit Fees, park related fees and other miscellaneous improvements. The Developer has constructed certain portions of the public improvements to Blue Oaks Boulevard, Woodcreek Oaks Boulevard, Parkside Drive and New Meadow Drive, all of which are included Improvements. Authorized Improvements also include regional public improvements, such as roadways, drainage system improvements, wastewater system improvements, water system improvements, park improvements, and other capital improvements for which developer impact fees are payable to the City pursuant to approved ordinances or resolutions upon issuance of a building permit or final map approval for development within the District, as well as incidental expenses as authorized by the Act.

Estimated Cost of the Improvements

The total estimated construction cost of the Improvements and other project related public expenditures, as shown in the CFD Hearing Report, is approximately \$8.0 million. Approximately \$7.6 million of the total is projected to be financed by the Bonds. The remaining backbone infrastructure costs are anticipated to be funded by monies of the Developer, a portion of which may be reimbursed from the “pay-as-you-go” component of the Special Taxes, and earnings on the Improvement Fund. Of the total cost of Improvements, approximately \$5.4 million represents backbone infrastructure costs and the remainder approximate \$2.6 million of costs include City Community Benefit Fees and park related fees.

Longmeadow Parkside Community Facilities District No. 1 (Public Facilities) Summary of Authorized Facilities and Estimated Cost

Item	Estimated Cost
Facility Costs	
Construction Costs	\$5,433,004
“Soft Costs” - Design, Engineering, etc.	1,032,271
City/County Fees	<u>1,525,360</u>
Total Improvements	7,990,635

Source: Economic & Planning Systems and the Developer – CFD Hearing Report.

The Special Tax Formula provides that the funding of Improvement costs can also be made from collections of the Special Tax available as the “pay-as-you-go” component of Special Taxes. The pay-as-you-go funding component could provide for funding of the cost of the Improvements in excess of the amount provided from Bond proceeds and through annual Special

Tax collections in excess of the amount needed to pay the debt service. The City and the Developer have agreed that during the first five fiscal years in which the Special Tax is levied, the Maximum Annual Special Tax will be levied for all Taxable Parcels and Annual Costs during this period will include the maximum amount which may be levied for pay-as-you-go expenditure reimbursement to the Developer for Authorized Facilities not financed from proceeds of the Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Special Tax Methodology" and "– Special Tax Fund."

Construction and Acquisition of the Improvements and Payment of Fees

Construction of the improvements by the Developer (described herein) commenced in 2004 and all of the construction Improvements to be funded from proceeds of the Bonds have been substantially completed. The fees portion of the Improvements are paid as homebuilding activity progresses.

In connection with the issuance of the Bonds, the City and the Developer will enter into a Funding, Construction and Acquisition Agreement (the "**Acquisition Agreement**") which provides that the Developer will design and construct (or cause to be constructed or funded) the portion of the Improvements consisting of roadways and related facilities and will pay for certain development-related fees, and the City, upon completion of construction and acceptance by the City, will purchase the Improvements. Upon completion of obligations and the Improvements and acceptance by the City, proceeds of the Bonds will be used to pay a portion of the purchase price of the Improvements and for certain development-related fees pursuant to the terms of the Acquisition Agreement. The Developer will be responsible for the portion of the cost of construction of the Improvements and for certain development-related fees not paid with bond proceeds, which may, to a limited extent and for a limited time, be reimbursed to the Developer from Special Taxes collected as the pay-as-you-go portion of the levy.

OWNERSHIP OF PROPERTY WITHIN THE DISTRICT

Unpaid Special Taxes do not constitute a personal indebtedness of the owners of the parcels within the District. There is no assurance that the present property owners or any subsequent owners will have the ability to pay the Special Taxes or that, even if they have the ability, they will choose to pay the Special Taxes. An owner may elect to not pay the Special Taxes when due and cannot be legally compelled to do so. Neither the City nor any Bondowner will have the ability at any time to seek payment directly from the owners of property within the District of the Special Tax or the principal or interest on the Bonds, or the ability to control who becomes a subsequent owner of any property within the District.

The Developer has provided the information set forth in this section entitled "OWNERSHIP OF PROPERTY WITHIN THE DISTRICT." No assurance can be given that all information is complete. In addition, any Internet addresses included below are for reference only, and the information on those Internet sites is not a part of this Official Statement or incorporated by reference into this Official Statement.

No assurance can be given that development of the property will be completed, or that it will be completed in a timely manner. The Special Taxes are not personal obligations of the developers or of any subsequent landowners; the Bonds are secured only by the Special Taxes and moneys available under the Fiscal Agent Agreement. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" and "SPECIAL RISK FACTORS" herein.

The Developer

All of the land within the District is owned by John Mourier Construction, Inc. (“JMC”, also the “Developer”). The Developer is a development and homebuilding entity and currently expects to develop most, and possibly all, of the homes in the District.

Ownership and Financing Structure. John Mourier III has been doing business in the greater Sacramento area as a homebuilder since 1974 and incorporated his homebuilding business as JMC in 1978. JMC is 100% owned by John Mourier III, who is president. The company typically has over 300 employees and had average annual home sales volume in excess of \$200 million for the past four years. JMC is currently ranked nationally as the 103rd largest homebuilder by the *Professional Builder Magazine* and locally as the 13th largest homebuilder by the *Sacramento Business Journal*. The Company has completed over 5,000 homes in the Sacramento area and in recent years typically builds 400-600 homes annually. JMC reports that it has received several industry awards including “Builder of the Year”, “Best Single Family Home Project of the Year”, and “Best Energy Efficient Project of the Year.”

Current Projects outside of the District include Lakeside in Lincoln (257 lots), Orchard in Linda (301 lots), Parkway in Folsom (126 lots), Bishop Ranch in Elk Grove (121 lots), and Backer Ranch Unit 3 (91 lots) and Unit 4/6 (108 lots) in Elk Grove.

JMC has an internet home page located at www.jmchomes.com. The website address is given for reference and convenience only. The information on the website may be incomplete or inaccurate and has not been reviewed by the City or the Underwriter. Nothing on the website is a part of this Official Statement or incorporated into this Official Statement by reference.

Recently completed projects and other projects under construction by JMC include the following:

<u>Project Name</u>	<u>City</u>	<u>No. of Lots</u>	<u>Status</u>
Avalon	Sacramento	88	completed
Seriana at Crocker Ranch	Roseville	48	completed
Heirloom	Rocklin	64	completed
Parkside at Stonelake	Elk Grove	126	completed
Silver Legends	County of Sacramento	103	completed
Estates at Morgan Creek	County of Placer	94	under construction
Morgan Greens	County of Placer	117	under construction
Casa Bella at Crocker Ranch	Roseville	91	under construction
Riviera at Crocker Ranch	Roseville	110	under construction
Sevilla at Crocker Ranch	Roseville	177	under construction
Vianza at Crocker Ranch	Roseville	112	under construction

In 2003 and 2004, JMC closed a total of 617 and 483 homes, respectively, in the Sacramento, California area, including in Roseville. JMC plans to build approximately 450 homes in 2005.

JMC has invested approximately \$31.8 million through April 2005 on property in the District. JMC purchased the properties for approximately \$22.7 million in 2004; the balance of its investment has been cash used for holding, entitlement, subdivision improvements, and unreimbursed costs of improvements to the property. The investment was funded through cash flow generated from business operations of JMC.

Financing Plan. The development of the residential parcels, in-tract improvements, home construction and payment of the Special Taxes will primarily be funded from available cash

balances, the cash flows from JMC's homebuilding operations and advances from its existing banking arrangements, including lines of credit with Wells Fargo Bank, Roseville, California and Comerica Bank, Sacramento, California. Both Wells Fargo Bank and Comerica have provided JMC with lines of credit (secured and unsecured) of \$99.0 million for use in JMC's business activities.

Future cash flow needs also will include general and administration costs, property taxes, the Special Taxes, and parcel-specific costs such as engineering and legal expenses, remaining in-tract improvements and construction of homes. These costs are anticipated to be funded from the revolving lines of credit, proceeds from the sale of homes and internal funds.

APPRAISAL OF PROPERTY WITHIN THE DISTRICT

The Appraisal

General. Seevers Jordan Ziegenmeyer, Rocklin, California (the “**Appraiser**”) prepared an appraisal report dated June 28, 2005, with a date of value of June 20, 2005 at the request of the City. Subsequent to the preparation of the Appraisal the City also requested the Appraiser to prepare an update dated October 4, 2005. The original appraisal and the update are collectively referred to herein as the “**Appraisal.**”

The Appraisal is set forth in APPENDIX B hereto. The description herein of the Appraisal is intended for limited purposes only; the Appraisal should be read in its entirety. The complete Appraisal is on file with the City and is available for public inspection at the City offices at 311 Vernon Street, Roseville, California, 95678, or from the Underwriter during the initial marketing period. The conclusions reached in the Appraisal are subject to certain assumptions and qualifications which are set forth in the Appraisal.

Value Estimates. The Appraisal valued the fee simple estate of the taxable property in the District to estimate the hypothetical (in light of the fact that the improvements financed by the Bonds were not in place as of the date of valuation) market value of the property (in bulk), assuming completion of the improvements to be financed by the Bonds. The valuation accounts for the impact of the lien of the Special Tax. The property appraised excludes property in the District designated for public and quasi public purposes. The value estimate for the property as of the June 20, 2005 date of value, using the methodologies described in the Appraisal and subject to the limiting conditions and special assumptions set forth in the Appraisal, and based on the ownership of the property as of that date is \$70,100,000. The Appraiser noted that both Parkside and Longmeadow have several lots that are improved with single-family homes, however in estimating the hypothetical market value of the properties, the Appraiser only considered the value of the underlying land. The update appraisal was prepared to verify that the Appraiser's estimate of value had not declined since the date of the original appraisal. The Appraiser reported in the update that since the effective date of the original appraisal (June 20, 2005), market conditions continued to improve, the final map for Longmeadow: Village 2 – Phase 1 had recorded, 40 homes within Longmeadow were under contract for sale, single-family residences within Parkside Estates were completed, and additional site development was completed by the Developer, all of which were deemed enhancements to value. The Appraiser thus concluded that considering the improvements that had been completed since the original appraisal, as well as the results of an analysis of current market conditions, the hypothetical market of the property in the District, as of October 3, 2005, was not less than the \$70,100,000 original estimate of value.

The appraisal methodology used in the Appraisal is based on the subdivision development approach, which utilizes the sales comparison approach and extraction technique to estimate the

aggregate value for the property's various land components. The aggregate value estimate is then integrated into the discounted cash flow portion of the subdivision development approach. The approaches to value were conducted as set forth below. See also "Assumptions and Limiting Conditions" below.

Hypothetical Condition. The improvements to be financed by the Bonds were not in all place as of the date of inspection; thus, the value estimate is subject to a hypothetical condition (of all such improvements being in place), defined as that which is contrary to what exists but is supposed for the purposes of analysis.

Aggregate Value. The retail value for the property represents estimates of what an end user would pay for a finished property under conditions requisite to a fair sale. The Appraiser considered property finished if it were in a state where it could be purchased and then or shortly thereafter be fully developed, with all major infrastructure in place, the subdivision map ready for final approval, and the in-tract improvements able to be completed shortly. The aggregate retail value is the sum of the retail values for the applicable property groupings. This value estimate excludes all allowances for carrying costs and is not equal to the market value of all the subject properties.

Market Value, Bulk Value. The bulk sale value represents the most probable price, in a sale of certain parcels within District, to a single purchaser or sales to multiple buyers, over a reasonable absorption period discounted to present value. The discounted value of the property represents the market value of the property in the District.

Assumptions and Limiting Conditions. In considering the estimate of value evidenced by the Appraisal, the Appraisal is based upon a number of standard and special assumptions which affect the estimates as to value, some of which include the following. See "APPENDIX B – THE APPRAISAL."

- The value estimates assume the completion of the public facilities to be financed by the Bonds. See "THE IMPROVEMENTS."

- As stipulated in the Development Agreement between the City of Roseville and John Mourier Construction, Inc., a 7.49± acre portion of the Longmeadow subdivision has the possibility for development as an elementary school. The Roseville City School District (RCSD) has an option to purchase the site at fair market value and must exercise this option, if at all, within 18 months of the RCSD Agreement (April 1, 2004). If the option is exercised, the lot count would be reduced by 72 lots, all of which are situated within Village 2 of Longmeadow. However, the RCSD Agreement is not considered to have an adverse impact on value, even if the option is exercised, due to the fact that the school district is required to purchase the property at fair market value under the highest and best economic use as 72 residential lots.

- The Appraiser has also assumed that there is no hazardous material on or in the property that would cause a loss in value. Should future conditions and events reduce the level of permitted development or delay the completion of any projected development, the value of the undeveloped land would likely be reduced from that estimated by the Appraiser. See "APPENDIX B — THE APPRAISAL" hereto for a description of certain assumptions made by the Appraiser. Accordingly, because the Appraiser arrived at an estimate of current market value based upon certain assumptions which may or may not be fulfilled, no assurance can be given that should the parcels become delinquent due to unpaid Special Taxes, and be foreclosed upon and offered for sale for the amount of the delinquency, that any bid would be received for such property

or, if a bid is received, that such bid would be sufficient to pay such delinquent Special Taxes.

Projected Absorption Period. The Appraiser also estimated the marketing time that would be required for the disposition of the single-family residential lots, based on the historical marketing times of a number of local sales, as well as current and projected economic conditions, the impacts of present market conditions, as well as anticipated changes in the market. After considering the development timeline and scope of the project, the Appraiser estimated the single-family lots could transfer within one year of exposure on the market. Thus, the discounted cash flow analysis reflected sales of residential lots over this period. The estimate takes into account the time and process associated with delivering developable parcels. See Appendix B.

No assurance can be given that the estimated absorption will be achieved or attained over an extended period of time; real estate is cyclical in nature, and it is impossible to accurately forecast and project specific demand over a projected absorption period. See "SPECIAL RISK FACTORS – Property Values and Property Development."

Limitations of Appraisal Valuation. Property values may not be evenly distributed throughout the District; thus, certain parcels may have a greater value than others. This disparity is significant because in the event of nonpayment of the Special Tax, the only remedy is to foreclose against the delinquent parcel.

No assurance can be given that the foregoing valuation can or will be maintained during the period of time that the Bonds are outstanding in that the City has no control over the market value of the property within the District or the amount of additional indebtedness that may be issued in the future by other public agencies, the payment of which, through the levy of a tax or an assessment, may be on a parity with the Special Taxes. See "Overlapping Liens and Priority of Lien" below.

For a description of certain risks that might affect the assumptions made in the Appraisal, see "SPECIAL RISK FACTORS" herein.

Value to Special Tax Burden Ratios

The Appraisal sets forth the estimated bulk sale discounted value, subject to the Special Tax lien, of all taxable property within the District to be \$70,100,000 subject to the limiting conditions stated therein. (See "The Appraisal" above and Appendix B hereto.) The principal amount of the Bonds is \$9,165,000. Consequently, the estimated bulk sale discounted value, subject to the Special Tax lien, of the real property within the District, is approximately 7.6 times the principal amount of the Bonds and the other Overlapping Debt.

In comparing the appraised value of the real property within the District and the principal amount of the Bonds, it should be noted that only the real property upon which there is a delinquent Special Tax can be foreclosed upon, and the real property within the District cannot be foreclosed upon as a whole to pay delinquent Special Taxes of the owners of such parcels within the District unless all of the property is subject to a delinquent Special Tax. In any event, individual parcels may be foreclosed upon separately to pay delinquent Special Taxes levied against such parcels.

Other public agencies whose boundaries overlap those of the District could, without the consent of the City and in certain cases without the consent of the owners of the land within the District, impose additional taxes or assessment liens on the land within the District. The lien created on the land within the District through the levy of such additional taxes or assessments

may be on a parity with the lien of the Special Tax. In addition, construction loans may be obtained by the Developers or home loans may be obtained by ultimate homeowners. The deeds of trust securing such debt on property within the District, however, will be subordinate to the lien of the Special Tax.

Overlapping Liens and Priority of Lien

The principal of and interest on the Bonds are payable from the Special Tax authorized to be collected within the District, and payment of the Special Tax is secured by a lien on certain real property within the District. Such lien is co-equal to and independent of the lien for general taxes and any other liens imposed under the Act, regardless of when they are imposed on the property in the District. The imposition of additional special taxes, assessments and general property taxes will increase the amount of independent and co-equal liens which must be satisfied in foreclosure. The City, the County and certain other public agencies are authorized by the Act to form other community facilities districts and improvement areas and, under other provisions of State law, to form special assessment districts, either or both of which could include all or a portion of the land within the District.

The Longmeadow property in the District is also subject to (i) an annual non-bonded special tax of the City's Longmeadow Community Facilities District No. 2 (Public Services) in the annual amount of \$139 per single family residential unit (applies to market and affordable units), (ii) the City's Community Facilities District No. 3 (Municipal Services) in the annual amount of \$293 per low- or medium-density residential unit (market and affordable units), and (iii) the Placer County Mosquito Abatement District in the annual amount of \$13 per single family residence. The Parkside property is also subject to the Northwest Roseville landscape and Lighting District assessment in the annual amount of \$100 per single family residential unit. These districts are not authorized to sell bonds, and the maximum annual special taxes may escalate by no more than 4% annually.

All the Property in the District is subject to the following general obligation bonds (i) Roseville City Elementary School District General Obligation Bond (\$.0306 per \$100 of assessed value), (ii) Roseville Joint High School District General Obligation Bond (\$.0201 per \$100 of assessed value), and (iii) Roseville Joint High School District General Obligation Bond as approved in 2004 (tax rate not yet established). Parkside is also subject to the bond-funded Statewide Community Infrastructure Program Assessment District No. 05-01, with an annual estimated assessment range of up to approximately \$1,063 per single family residence, plus a 5% administrative charge that increases based on the consumer price index.

There can be no assurance that the Developer, its affiliates or any subsequent owner will not petition for the formation of other community facilities districts and improvement areas or for a special assessment district or districts and that parity special taxes or special assessments will not be levied by the County or some other public agency to finance additional public facilities, however no other special districts are currently contemplated by the City or the Developer.

Private liens, such as deeds of trust securing loans obtained by the Developer, may be placed upon property in the District at any time. Under California law, the Special Taxes have priority over all existing and future private liens imposed on property subject to the lien of the Special Taxes.

SPECIAL RISK FACTORS

The purchase of the Bonds described in this Official Statement involves a degree of risk that may not be appropriate for some investors. The following includes a discussion of some of the risks which should be considered before making an investment decision.

Limited Obligation of the City to Pay Debt Service

The City has no obligation to pay principal of and interest on the Bonds in the event Special Tax collections are delinquent, other than from amounts, if any, on deposit in the Reserve Fund or funds derived from the tax sale or foreclosure and sale of parcels on which levies of the Special Tax are delinquent, nor is the City obligated to advance funds to pay such debt service on the Bonds. The Bonds are not general obligations of the City but are limited obligations of the City and the District payable solely from the proceeds of the Special Tax and certain funds held under the Fiscal Agent Agreement, including amounts deposited in the Reserve Fund and investment income thereon, and the proceeds, if any, from the sale of property in the event of a foreclosure. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS." Any tax for the payment of the Bonds will be limited to the Special Tax to be collected within the jurisdiction of the District.

Concentration of Ownership

Land within the District is all owned by the Developer until home sales occur. An owner of property in the District is not personally obligated to pay the Special Tax attributable to the owner's property. Rather, the Special Tax is an obligation only against the parcel of property, secured by the amount which could be realized in a foreclosure proceeding against the property, and not by any promise of the owner to pay. If the value of the property is not sufficient, taking into account other obligations also constituting a lien against the property, the City, Fiscal Agent and owners of the Bonds have no recourse against the owner, such as filing a lawsuit to collect money.

Failure of the Developer or any future owner of significant property subject to the Special Taxes in the District to pay installments of Special Taxes when due could cause the depletion of the Reserve Fund prior to reimbursement from the resale of foreclosed property or payment of the delinquent Special Tax and, consequently, result in the delinquency rate reaching a level that would cause an insufficiency in collection of the Special Tax to meet the District's obligations on the Bonds. For a description of the Developer, see "OWNERSHIP OF PROPERTY WITHIN THE DISTRICT." In that event, there could be a delay or failure in payments on the Bonds. See "SPECIAL RISK FACTORS - Bankruptcy and Foreclosure Delays" below and "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Delinquent Payments of Special Tax; Covenant for Superior Court Foreclosure."

Appraised Values

The Appraisal summarized in APPENDIX B estimates the market value of the taxable property within the District. This market value is merely the present opinion of the Appraiser, and is subject to the assumptions and limiting conditions stated in the Appraisal. The City has not sought the present opinion of any other appraiser of the value of the taxed parcels. A different present opinion of value might be rendered by a different appraiser.

The opinion of value relates to sale by a willing seller to a willing buyer as of the date of valuation, each having similar information and neither being forced by other circumstances to sell or to buy. Consequently, the opinion is of limited use in predicting the selling price at a

foreclosure sale, because the sale is forced and the buyer may not have the benefit of full information.

In addition, the opinion is a present opinion. It is based upon present facts and circumstances. Differing facts and circumstances may lead to differing opinions of value. The appraised market value is not evidence of future value because future facts and circumstances may differ significantly from the present.

No assurance can be given that any of the appraised property in the District could be sold in a foreclosure for the estimated market value contained in the Appraisal. Such sale is the primary remedy available to Bondowners if that property should become delinquent in the payment of Special Taxes.

Property Values and Property Development

The value of Taxable Property within the District is a critical factor in determining the investment quality of the Bonds. If a property owner defaults in the payment of the Special Tax, the District's only remedy is to foreclose on the delinquent property in an attempt to obtain funds with which to pay the delinquent Special Tax. Land development and land values could be adversely affected by economic and other factors beyond the District's control, such as: a general economic downturn; adverse judgments in future litigation that could affect the scope, timing or viability of development; relocation of employers out of the area; stricter land use regulations; shortages of water, electricity, natural gas or other utilities; destruction of property caused by earthquake, flood or other natural disasters; environmental pollution or contamination.

The Appraisal information included as APPENDIX B sets forth certain assumptions of the Appraiser in estimating the market value of the property within the District as of the date indicated. No assurance can be given that the land values are accurate if these assumptions are incorrect or that the values will not decline in the future if one or more events, such as natural disasters or adverse economic conditions, occur. See "Appraised Values" above.

Neither the District nor the City have evaluated development risks. Since these are largely business risks of the type that property owners customarily evaluate individually, and inasmuch as changes in land ownership may well mean changes in the evaluation with respect to any particular parcel, the District is issuing the Bonds without regard to any such evaluation. Thus, the creation of the District and the issuance of the Bonds in no way implies that the District or the City has evaluated these risks or the reasonableness of these risks.

The following is a discussion of specific risk factors that could affect the timing or scope of property development in the District or the value of property in the District.

Land Development. Land values are influenced by the level of development in the area in many respects.

First, undeveloped or partially developed land is generally less valuable than developed land and provides less security to the owners of the Bonds should it be necessary for the District to foreclose on undeveloped or partially developed property due to the nonpayment of Special Taxes.

Second, failure to complete development on a timely basis could adversely affect the land values of those parcels that have been completed. Lower land values would result in less security for the payment of principal of and interest on the Bonds and lower proceeds from any foreclosure sale necessitated by delinquencies in the payment of the Special Tax. See "APPRAISAL OF PROPERTY WITHIN THE DISTRICT –Value to Special Tax Burden Ratios." No

assurance can be given that the proposed development within the District will be completed, and in assessing the investment quality of the Bonds, prospective purchasers should evaluate the risks of noncompletion.

Risks of Real Estate Investment Generally. Continuing development of land within the District may be adversely affected by changes in general or local economic conditions, fluctuations in the real estate market, increased construction costs, development, financing and marketing capabilities of individual property owners, water or electricity shortages, and other similar factors. Development in the District may also be affected by development in surrounding areas, which may compete with the District. In addition, land development operations are subject to comprehensive federal, state and local regulations, including environmental, land use, zoning and building requirements. There can be no assurance that proposed land development operations within the District will not be adversely affected by future government policies, including, but not limited to, governmental policies to restrict or control development, or future growth control initiatives. There can be no assurance that land development operations within the District will not be adversely affected by these risks.

Natural Disasters. The value of the parcels in the District in the future can be adversely affected by a variety of natural occurrences, particularly those that may affect infrastructure and other public improvements and private improvements on the parcels in the District and the continued habitability and enjoyment of such private improvements. For example, the areas in and surrounding the District, like those in much of California, may be subject to earthquakes or other unpredictable seismic activity, however, the District is not located in a seismic special studies zone.

Other natural disasters could include, without limitation, landslides, floods, droughts or tornadoes. One or more natural disasters could occur and could result in damage to improvements of varying seriousness. The damage may entail significant repair or replacement costs and that repair or replacement may never occur either because of the cost, or because repair or replacement will not facilitate habitability or other use, or because other considerations preclude such repair or replacement. Under any of these circumstances there could be significant delinquencies in the payment of Special Taxes, and the value of the parcels may well depreciate.

Legal Requirements. Other events that may affect the value of a parcel include changes in the law or application of the law. Such changes may include, without limitation, local growth control initiatives, local utility connection moratoriums and local application of statewide tax and governmental spending limitation measures. Development in the District may also be adversely affected by the application of laws protecting endangered or threatened species.

Hazardous Substances. Any discovery of a hazardous substance detected on property within the District would affect the marketability and the value of some or all of the property in the District. In that event, the owners and operators of a parcel within the District may be required by law to remedy conditions of the parcel relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is the most well-known and widely applicable of these laws. California laws with regard to hazardous substances are also applicable to property within the District and are as stringent as the federal laws. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of property whether or not the owner (or operator) has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the parcels be contaminated by a hazardous substance is to reduce the marketability and value of the parcel by the costs of remedying the condition, because the purchaser, upon becoming owner, will become obligated to remedy the condition just as is the seller.

The values set forth in the Appraisal do not take into account the possible reduction in marketability and value of any of the parcels within the District by reason of the possible liability of the owner (or operator) for the remedy of a hazardous substance condition on a parcel. Although the City is not aware that the owner (or operator) of any of the property within the District has a current liability for a hazardous substance with respect to any of the parcels, it is possible that such liabilities do currently exist and that the City is not aware of them.

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

Endangered and Threatened Species. It is illegal to harm or disturb any plants or animals in their habitat that have been listed as endangered species by the United States Fish & Wildlife Service under the Federal Endangered Species Act or by the California Fish & Game Commission under the California Endangered Species Act without a permit. Although the Developer believes that no federally listed endangered or threatened species would be affected by the proposed development within the District, other than any that are permitted by the entitlements already received, the discovery of an endangered plant or animal could delay development of vacant property in the District or reduce the value of undeveloped property.

Bankruptcy and Foreclosure Delays

The payment of the Special Tax and the ability of the District to foreclose the lien of a delinquent unpaid tax, as discussed in "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Delinquent Payments of Special Tax; Covenant for Superior Court Foreclosure," may be limited by bankruptcy, insolvency or other laws generally affecting creditors' rights or by the laws of the State of California relating to judicial foreclosure. The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel's approving legal opinion) will be qualified as to the enforceability of the various legal instruments by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights, by the application of equitable principles and by the exercise of judicial discretion in appropriate cases.

Although bankruptcy proceedings would not cause the Special Taxes to become extinguished, bankruptcy of a property owner could result in a delay in prosecuting superior court foreclosure proceedings and could result in the possibility of delinquent Special Tax installments not being paid in full. Such a delay would increase the likelihood of a delay or default in payment of the principal of and interest on the Bonds. To the extent that property in the District continues to be owned by a limited number of property owners, the chances are increased that the Reserve Fund established for the Bonds could be fully depleted during any such delay in obtaining payment of delinquent Special Taxes. As a result, sufficient moneys would not be available in the Reserve Fund for transfer to the Bond Fund to make up shortfalls resulting from delinquent payments of the Special Tax and thereby to pay principal of and interest on the Bonds on a timely basis.

To the extent that bankruptcy or similar proceedings were to involve a large property owner, the chances would increase the likelihood that the Bond Reserve Fund could be fully depleted during any resulting delay in receiving payment of delinquent Special Taxes. As a result, sufficient monies would not be available in the Bond Reserve Fund for transfer to the

Bonds Redemption Account to make up any shortfalls resulting from delinquent payments of the Special Tax and thereby to pay principal of and interest on the Bonds on a timely basis.

Parity Taxes and Special Assessments; Private Debt

The City, the County and certain other public agencies are authorized by the Act to form other community facilities districts and improvement areas and, under other provisions of State law, to form special assessment districts, either or both of which could include all or a portion of the land within the District.

Property in the District is currently subject to certain overlapping tax and assessment liens, as shown in the overlapping debt statement. Property in the District is also subject to the special tax of two additional community facilities districts known as the Longmeadow Parkside Community Facilities District No. 2 (Public Services) and the City's Community Facilities District No. 3 (Municipal Services). The property is also subject to assessment liens. See "APPRAISAL OF PROPERTY WITHIN THE DISTRICT – Overlapping Liens and Priority of Liens."

In general, as long as the Special Tax is collected on the County tax roll, the Special Tax and all other taxes, assessments and charges also collected on the tax roll are on a parity, that is, are of equal priority. Questions of priority become significant when collection of one or more of the taxes, assessments or charges is sought by some other procedure, such as foreclosure and sale. In the event of proceedings to foreclose for delinquency of Special Taxes securing the Bonds, the Special Tax will be subordinate only to existing prior governmental liens, if any. Otherwise, in the event of such foreclosure proceedings, the Special Taxes will generally be on a parity with the other taxes, assessments and charges, and will share the proceeds of such foreclosure proceedings on a pro-rata basis. Although the Special Taxes will generally have priority over non-governmental liens on a parcel of Taxable Property, regardless of whether the non-governmental liens were in existence at the time of the levy of the Special Tax or not, this result may not apply in the case of bankruptcy. See "– Bankruptcy and Foreclosure Delays" above.

In addition to liens for special taxes or assessments to finance public improvements of benefit to land within the District, owners of property may obtain loans from banks or other private sources which loans may be secured by a lien on the parcels in the District. Such loans would increase amounts owed by the owner of such parcel with respect to development of its property in the District. However, the lien of such loans would be subordinate to the lien of the Special Taxes.

Tax Delinquencies

Under provisions of the Act, the Special Taxes will be billed to the properties within the District on the regular property tax bills sent to owners of such properties. Such Special Tax installments are due and payable, and bear the same penalties and interest for nonpayment, as do regular property tax installments. Special Tax installment payments cannot be made separately from property tax payments. Therefore, the unwillingness or inability of a property owner to pay regular property tax bills as evidenced by property tax delinquencies may also indicate an unwillingness or inability to make regular property tax payments and Special Tax payments in the future.

The annual Special Tax will be billed and collected in two installments payable without penalty by December 10 and April 10. In the event such Special Taxes are not timely paid, moneys available to pay debt service on the Bonds becoming due on the subsequent respective March 1 and September 1 may be insufficient, except to the extent moneys are available in the Reserve Fund.

In the event of non-payment of Special Taxes, funds in the Reserve Fund, if available, may be used to pay principal of and interest on the Bonds. If funds in the Reserve Fund for the Bonds are depleted, the funds can be replenished from the proceeds of the levy and collection of the Special Tax that are in excess of the amount required to pay all amounts to be paid to the Bond holders pursuant to the Fiscal Agent Agreement. However, no replenishment from the proceeds of a Special Tax levy can occur as long as the proceeds that are collected from the levy of the Special Tax against property within the District at the maximum Special Tax rates, together with other available funds, remains insufficient to pay all such amounts. Thus it is possible that the Reserve Fund will be depleted and not be replenished by the levy of the Special Tax.

See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Delinquent Payments of Special Tax; Covenant for Superior Court Foreclosure,” for a discussion of the provisions which apply, and procedures which the City is obligated to follow, in the event of delinquency in the payment of Special Taxes.

No Acceleration Provisions

The Bonds do not contain a provision allowing for the acceleration of the Bonds in the event of a payment default or other default under the terms of the Bonds or the Fiscal Agent Agreement. Under the Fiscal Agent Agreement, a Bond holder is given the right for the equal benefit and protection of all Bond holders similarly situated to pursue certain remedies. See “APPENDIX C – Summary of Certain Provisions of the Fiscal Agent Agreement.” So long as the Bonds are in book-entry form, DTC will be the sole Bond holder and will be entitled to exercise all rights and remedies of Bond holders.

Ballot Initiatives

From time to time, initiative measures qualify for the State ballot pursuant to the State's constitutional initiative process and those measures could be adopted by California voters. The adoption of any such initiative might place limitations on the ability of the State, the City, the County or other local districts to increase revenues or to increase appropriations or on the ability of the landowners to complete the development of the District. See “Property Values and Property Development – Land Development” above. See also “Proposition 218” below.

Proposition 218

On November 5, 1996, the voters of the State approved Proposition 218, the so-called “Right to Vote on Taxes Act.” Proposition 218 added Articles XIIIC and XIID to the State Constitution, which contain a number of provisions affecting the ability of the City to levy and collect both existing and future taxes, assessments and property related fees and charges.

Article XIIIC removes limitations on the initiative power in matters of local taxes, assessments, fees and charges. Article XIIIC does not define the term “local taxes” and it is unclear whether this term is intended to include special taxes levied under the Act. This provision with respect to the initiative power is not limited to taxes imposed on or after November 6, 1996, the effective date of Proposition 218. In the case of the Special Taxes which are pledged as security for payment of the Bonds, the laws of the State provide a mandatory, statutory duty of the City and the County Auditor to post the Special Taxes on the property tax roll of the County each year while any of the Bonds are outstanding. Additionally, on July 1, 1997, a bill was signed into law by the Governor of the State enacting Government Code 5854, which states:

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

The Special Taxes and the Bonds were each authorized by not less than a two-thirds vote of the Developer, as the sole landowner within the District, who constituted the qualified electors of the District at the time of such voted authorization. The City believes, therefore, that issuance of the Bonds does not require the conduct of further proceedings under the Act or Proposition 218.

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

CONSTITUTIONAL LIMITATIONS ON TAXATION AND APPROPRIATIONS

Article XIII A of the California Constitution, commonly known as “**Proposition 13**,” provides that each county will levy the maximum *ad valorem* property tax permitted by Proposition 13 and will distribute the proceeds to local agencies in accordance with an allocation formula based in part on pre-Proposition 13 *ad valorem* property tax rates levied by local agencies.

Article XIII A limits the maximum *ad valorem* tax on real property to 1% of “full cash value,” which is defined as 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 increases of no more than 2% per year or decreases in the consumer price index or comparable local data, or declining property value caused by damage, destruction or other factors.

Article XIII A exempts from the 1% tax limitation any taxes to repay indebtedness approved by the voters prior to July 1, 1978, and requires a vote of two-thirds of the qualified electorate to impose Special Taxes or any additional *ad valorem*, sales, or transaction taxes on real property. In addition, Article XIII A requires the approval of two-thirds of all members of the State Legislature to change any State laws resulting in increased tax revenues. On June 3, 1986, California voters approved an amendment to Article XIII A of the California Constitution to allow local governments and school districts to raise their property tax rates above the constitutionally mandated 1% ceiling for the purpose of paying off certain new general obligation debt issued for the acquisition or improvement of real property and approved by two-thirds of the votes cast by the qualified electorate. If any such voter-approved debt is issued, it may be on a parity with the lien of the Special Tax on the parcels within the District.

State and local government agencies in the State, and the State itself are subject to annual appropriation limits, imposed by Article XIII B of the State Constitution. Article XIII B prohibits government agencies and the State from spending “appropriations subject to limitation” in excess of the appropriations limits imposed. “Appropriations subject to limitation” are authorizations to spend “proceeds of taxes,” which consist of tax revenues, certain state subventions and certain other funds, including proceeds from regulatory licenses, user charges or other fees to the extent that such proceeds exceed the cost reasonably borne by such entity in providing the regulation, product or service. No limit is imposed on appropriations of funds which are not

“proceeds of taxes” such as debt service on indebtedness existing or authorized before January 1, 1979, or subsequently authorized by the voters, appropriations required to comply with mandates of courts or the federal government, reasonable user charges or fees and certain other non-tax funds.

CONTINUING DISCLOSURE

The City has covenanted for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the District by not later than the next January 15th after the end of the City’s fiscal year (presently June 30) in each year (the “**City Annual Report**”) commencing with its report for the 2004-2005 fiscal year (due January 15, 2006) and to provide notices of the occurrence of certain enumerated events.

The Developer has also covenanted for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the property it owns, or its affiliates or subsidiaries, or entities it has an interest in or controls owns, in the District by not later than April 1 of each year (reflecting reported information as of December 31 of the prior year) beginning with the report due April 1, 2006 (the “**Developer Annual Report**”) and to provide notices of the occurrence of certain enumerated events. The obligation of the Developer to provide such information is in effect only so long as the Developer and its affiliates, or their successors, are collectively responsible for a certain percentage of the Special Taxes, as described in the Developer Annual Report.

The City Annual Report and the Developer Annual Report will be filed with each Nationally Recognized Municipal Securities Information Repository. The notices of material events will be filed with the Municipal Securities Rulemaking Board. These covenants have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5) (the “**Rule**”). The specific nature of the information to be contained in the Annual Report or the notices of material events by the City and the Developer is summarized in “APPENDIX F — FORM OF CONTINUING DISCLOSURE UNDERTAKINGS.”

The City 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.

UNDERWRITING

The Bonds were purchased through negotiation by Stone & Youngberg LLC (the “**Underwriter**”). The Underwriter agreed to purchase the Bonds at a price of \$8,875,600.70 (which is equal to the par amount of the Bonds, less an original issue discount of \$167,963.05 and less the Underwriter’s discount of \$121,436.25). The initial public offering prices set forth on the cover page hereof may be changed by the Underwriter. The Underwriter may offer and sell the Bonds to certain dealers and others at a price lower than the public offering prices set forth on the cover page hereof.

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.

LEGAL OPINION

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Jones Hall, a Professional Law Corporation, Bond Counsel. A complete copy of the proposed form of Bond Counsel opinion is contained in Appendix E to this Official Statement, and the final opinion will be made available to registered owners of the Bonds at the time of delivery. The fees of Bond Counsel are contingent upon the sale and delivery of the Bonds.

TAX MATTERS

The Internal Revenue Code of 1986, as amended (the “**Code**”) establishes certain requirements which must be met subsequent to the issuance of the Bonds for the interest on the Bonds to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. These requirements include, but are not limited to, restrictions on the use of bond proceeds and provisions which prescribe yield and other limits within which the proceeds of the Bonds are to be invested and require that certain investment earnings must be rebated on a periodic basis to the United States of America. Failure to comply with such requirements could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. Pursuant to the Fiscal Agent Agreement, the City has covenanted to comply with the requirements of the Code and to cause the payment to the United States Treasury of any and all amounts required to be rebated under the Code with respect to the outstanding Bonds.

In the opinion of Jones Hall, a Professional Law Corporation, San Francisco, California, Bond Counsel, subject to the qualifications set forth below, under existing law and assuming compliance by the City with the aforementioned covenants, interest on the Bonds is excluded from gross income for purposes of federal income taxation. Bond Counsel is further of the opinion that interest on the Bonds is not a specific preference item for purposes of the alternative minimum tax provisions of the Code. However, interest on the Bonds received by corporations will be included in certain earnings for purposes of federal alternative minimum taxable income of such corporations.

Although Bond Counsel has rendered an opinion that the interest on the Bonds is excluded from gross income for purposes of federal income taxation, the accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend on the recipient's particular tax status or other items of income or deduction and Bond Counsel expresses no opinion regarding any such consequences. Additionally, Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring after the date of delivery of the Bonds may affect the tax status of the Bonds.

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

California personal income taxes. De minimis original issue discount and original issue premium is disregarded. Owners of Bonds with original issue discount or original issue premium, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to federal income tax and State of California personal income tax consequences of owning such Bonds.

Bond Counsel is further of the opinion that under existing law, interest on the Bonds is exempt from personal income taxation imposed by the State of California.

RATINGS

The City has not applied to a rating agency for the assignment of a rating to the Bonds and does not contemplate applying for a rating.

NO LITIGATION

At the time of delivery of and payment for the Bonds, the City Attorney will deliver his opinion that to the best of its knowledge there is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any court or regulatory agency pending against the City affecting its existence or the titles of its officers to office or seeking to restrain or to enjoin the issuance, sale or delivery of the Bonds, the application of the proceeds thereof in accordance with the Fiscal Agent Agreement, or the collection or application of the Special Tax to pay the principal of and interest on the Bonds, or in any way contesting or affecting the validity or enforceability of the Bonds, the Fiscal Agent Agreement or any action of the City contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto, or contesting the powers of the City or its authority with respect to the Bonds or any action of the City contemplated by any of said documents.

EXECUTION

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

CITY OF ROSEVILLE

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

APPENDIX A

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

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EXHIBIT A
Longmeadow Parkside
Community Facilities District No. 1
(Public Facilities)
City of Roseville, California

**RATE, METHOD OF APPORTIONMENT, AND MANNER OF
COLLECTION OF SPECIAL TAX**

1. Basis of Special Tax Levy

A Special Tax authorized under the Mello-Roos Community Facilities Act of 1982 (Act) applicable to the land in Longmeadow Parkside Community Facilities District No. 1 (Public Facilities) (CFD) of the City of Roseville (City) shall be levied and collected according to the tax liability determined by the City through the application of the appropriate amount or rate, as described below.

2. Definitions

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

“**Administrative Expenses**” means the following actual or reasonably estimated costs related to the administration of the CFD, including:

- Costs of computing Special Taxes and preparing annual Special Tax collection schedules (whether by the City or designee thereof or both);
- Costs of collecting the Special Taxes (whether by the County, the City, or otherwise);
- Costs of remitting the Special Taxes to the Trustee;
- Costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Bond Indenture;
- Costs to the City, CFD or any designee thereof of complying with arbitrage rebate requirements;
- Costs to the City, CFD or any designee thereof of complying with City, CFD or obliged persons disclosure requirements;
- Costs associated with preparing Special Tax disclosure statements;
- Costs incurred in responding to public inquiries regarding the Special Taxes;

- Costs to the City, CFD or designee thereof related to any appeal of the Special Tax;
- Costs associated with the release of funds from an escrow account, if any; and
- Amounts estimated to be advanced or advanced by the City for any other administrative purposes, including attorney's fees and other costs related to commencing and pursuing to completion any foreclosure of delinquent Special Taxes.

"Administrator" means the person or firm designated by the City to administer the Special Taxes according to this Rate and Method of Apportionment of Special Tax.

"Affordable Unit" means a Unit built on a Single-family Residential Parcel for which an Affordable Purchase Development Agreement has been recorded on title of the property designating the Unit as affordable and resulting in a deed of trust on the Single-family Residential Parcel in favor of the City. Single-family Residential Parcels identified as Affordable Units are identified as lots 15, 16, 19, 20, 129, 130, 135, 136, 141, 142, 153, 154, 159, 160, 165, 166, 170, 171, 172, 175, 176, 177, 181, 182, 183, 187, 188, and 189 as shown on Plat of "Longmeadow Village 2, Phase 1 filed for record June 14, 2005 in Book AA of maps at page 37, in the official records of the County. Affordable Units are identified by County Assessor's Parcel in **Attachment 1**. The list of Affordable Units shall also be updated to reflect those Units no longer qualifying as Affordable Units, also known as Market Rate Units. If an Affordable Unit is no longer owned by the Original Owner, the Taxable Parcel will be reclassified as a Market Rate Unit. The list of Affordable Units, which shall contain all qualifying Affordable Units as of April 30, shall be made available to Administrator by July 1 of each year for purposes of determining the Maximum Annual Special Tax for Taxable Parcels pursuant to **Section 5** below. There shall be no more than 28 Affordable Units in the CFD.

"Annual Costs" means, for any Fiscal Year, the total of the following:

- i) Debt Service to be paid from Special Taxes collected during such Fiscal Year;
- ii) Administrative Expenses for such Fiscal Year;
- iii) The amount needed to replenish the reserve fund for the Bonds to the level required under the Bond Indenture;
- iv) An amount equal to the amount of delinquencies in payments of Special Taxes levied in the previous Fiscal Year and/or anticipated for the current Fiscal Year;
- v) Pay-As-You-Go Expenditures; and
- vi) Less any earnings on the reserve fund and special tax fund that are transferred to the bond redemption fund pursuant to the Bond Indenture.

"Authorized Facilities" means those facilities to be financed as identified in the resolution forming the CFD.

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

"Bond(s)" means bond(s) issued or other indebtedness incurred by the City for the CFD under the Act.

"Bond Indenture" means the indenture, resolution, fiscal agent agreement, or other financing document pursuant to which any Bonds are issued.

"Bond Share" means the share of Bonds assigned to a Parcel as specified in **Section 7** hereof.

"CFD" means Longmeadow Parkside Community Facilities District No. 1 (Public Facilities).

"City" means the City of Roseville, California.

"Council" means the City Council of the City.

"County" means the County of Placer, California.

"County Assessor's Parcel" means the Assessor's Parcel number for any Parcel of land in the CFD as recorded by the County Assessor on the County equalized tax roll.

"Debt Service" means the total annual amount of bond principal, interest, and any scheduled sinking fund payments of the Bonds.

"Developed Parcel" means a Parcel in one of the following Parcel categories that has received from the City the applicable development approval for that Parcel category as follows:

<u>Parcel Category</u>	<u>Development Approval</u>
Single-family Residential Parcel	=> - Final Subdivision Map

"Developer" means John Mourier Construction, Inc. or successor.

"Final Subdivision Map" means a recorded map designating individual Single-family Residential Parcels.

"Finance Director" means the City Treasurer of the City or designee.

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

"Large Lot Parcel(s)" means any Taxable Parcel that is not a Developed Parcel.

"Large Lot Subdivision Map" means a recorded subdivision map creating Parcels by land use. However, the Large Lot Subdivision Map does not delineate Single-family Residential Parcels. A Final Subdivision Map will create individual single-family parcels.

"Market Rate Unit" means Taxable Parcels in the Longmeadow that are sold without subsidies for low income or medium income home buyers. At formation of the CFD, there will be 28 Taxable Parcels designated as Affordable Units. All remaining Taxable Parcels will be classified as Market Rate Units. An Affordable Unit will be reclassified as a Market Rate Unit when the Original Owner sells the Affordable Unit.

"Maximum CFD Revenue" means the sum of the Maximum Annual Special Tax levied on all Taxable Parcels in the CFD in a Fiscal Year.

"Maximum Annual Special Tax" means the maximum amount of Special Tax that can be levied against a Taxable Parcel in a Fiscal Year as shown in **Attachment 1**.

"Maximum Annual Special Tax Revenue" means the maximum amount of revenue that can be collected by levying the Maximum Annual Special Tax against a group of Taxable Parcels within a specific classification.

"Original Owner" means an individual or party that originally purchases an Affordable Unit.

"Original Parcel" means the County Assessor Parcel's existing at the formation of the CFD, as shown on **Attachment 1**.

"Outstanding Bonds" means the total principal amount of Bonds that have been issued and not fully repaid or legally defeased. Prior to the initial Bond sale, Outstanding Bonds shall be equal to the bond authorization.

"Parcel" means any parcel of land, identified by County Assessor's Parcel, in the CFD based on the equalized tax rolls of the County as of January 1 preceding the Fiscal Year.

"Pay-As-You-Go Expenditure" means expenditures for Authorized Facilities that are not funded through the issuance of bonds. The developer may receive payments from Pay-As-

You-Go Expenditures, for Authorized Facilities constructed but not fully reimbursed from bond proceeds, for a period of five years from the first year that Special Taxes are levied. After that time period, Pay-As-You-Go Expenditures will be utilized by the City, in its sole discretion, for funding any additional Authorized Facilities.

“Planned Residential Lots” means the number of single-family Units planned for each Large Lot Parcel as shown in **Attachment 1**.

“Prepayment” means the complete fulfillment of a Parcel’s Special Tax obligation, as determined by following the procedures in **Section 7**.

“Public Parcel” means any Parcel that is or is intended to be publicly owned, as designated in any final map for Longmeadow that is normally exempt from the levy of general *ad valorem* property taxes under California law, including public streets; schools; parks; and public drainageways, landscaping, wetlands, greenbelts, and open space.

“Reserve Fund Requirement” means the amount required to be held in the bond reserve fund created under the Bond Indenture.

“Reserve Fund Share” means the lesser of: (i) Reserve Fund Requirement or (ii) the reserve fund balance at the time of such calculation, multiplied by the Benefit Share for a given Parcel.

“Single-family Residential Parcel” means a single-family residential lot created by the recordation of a Final Subdivision Map.

“Special Tax(es)” mean(s) any special tax levied on Taxable Parcels in the CFD under the Act.

“Subdivision” or **“Subdivided”** means a division of a Parcel into two or more Parcels through the Subdivision Map Act process.

“Successor Parcel” means a Parcel created by Subdivision of an Original Parcel or other Successor Parcel.

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

“Taxable Acres” or **“Taxable Acreage”** means the portion of a Taxable Parcel that is developable.

"Taxable Parcel" means any Parcel that is not a Tax-Exempt Parcel.

"Tax-Exempt Parcel" means a Parcel not subject to the Special Tax. Tax-Exempt Parcels are: (i) Public Parcels, (ii) Parcels for which the Special Tax has been fully prepaid under **Section 7** hereof, and (iii) certain privately owned Parcels such as common areas owned by homeowner's associations or property owner associations, wetlands, detention basins, water quality ponds, and open space, on which an *ad valorem* property tax is not levied.

"Unit(s)" means a Single-family Residential Parcel, or the number of single-family residential lots proposed for a Large Lot Parcel.

3. Determination of Parcels Subject to Special Tax

The City shall prepare a list of the Parcels subject to the Special Tax. The City shall identify the Taxable Parcels from a list of all Parcels within the CFD boundary by excluding all Tax-Exempt Parcels.

4. Termination of the Special Tax

The Special Tax will be levied and collected for as long as needed to pay the principal and interest on debt and other costs incurred in order to construct the authorized facilities and to pay the Annual Costs. However, in no event shall the Special Tax be levied on any Parcel in the CFD after Fiscal Year 2039-2040.

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

5. Assignment of Maximum Annual Special Tax

A. Classification of Parcels. Each Fiscal Year, using the Definitions above, the parcel records of the County Assessor's Secured Tax Roll as of January 1, and other City development approval records as of June 1, the Administrator shall cause:

1. Each Parcel to be classified as a Tax-Exempt Parcel or a Taxable Parcel;
2. Each Taxable Parcel to be classified as a Original Parcel or Successor Parcel;
3. Each Successor Parcel to be classified as a Large Lot Parcel or Developed Parcel;
4. Each Developed Parcel to be classified as a Market Rate Unit or Affordable Unit.

B. Assignment of Maximum Annual Special Tax. The Administrator shall then assign the Maximum Annual Special Tax to each Taxable Parcel as follows:

1. Original Parcels: At the formation of the CFD, Original Parcels are assigned the Maximum Annual Special Tax as shown in **Attachment 1**. Each Original Parcel is assigned Planned Residential Lots and a Maximum Annual Special Tax per Unit. Original Parcels that are Affordable Units are identified by County Assessor's Parcel in **Attachment 1**. As Original Parcels shown in **Attachment 1** are Subdivided into Successor Parcels, use **Sections 5.B.2** through **Section 5.B.3** to assign the Maximum Annual Special Tax to Taxable Parcels.

2. Successor Parcels. As Original Parcels and Successor Parcels are Subdivided, use the following steps to assign the Maximum Annual Special Tax to new Successor Parcels.

a. If Original or Successor Parcel Is Subdivided Into Large Lot Parcels. Use the following steps to assign the Maximum Annual Special Tax to each Large Lot Parcel created by the Subdivision. There shall be no net loss of Maximum CFD Revenue as a result of the assignment of the Maximum Annual Special Tax to new Taxable Parcels.

Step 1. The Developer will assign Planned Residential Lots equal to the total Planned Residential Lots from the Original Parcel(s) to each newly created Large Lot Parcel. If the Developer fails to assign Planned Residential Lots to Large Lot Parcels, the Administrator will allocate Planned Residential Lots on a *pro rata* basis to each Large Lot Parcel based on the percentage of Taxable Acreage of each Large Lot Parcel to the total Taxable Acreage of all Large Lot Parcels.

Step 2. Multiply the number of Planned Residential Lots assigned to each Large Lot Parcel by the Maximum Annual Special Tax per Unit, as shown in **Attachment 1**, to calculate the Maximum Annual Special Tax for each Large Lot Parcel.

b. If Original or Successor Parcel Is Subdivided Into Developed Parcels and One or More Large Lot Parcels. When an Original or Successor Parcel is Subdivided into Single-family Residential Parcels and one or more Large Lot Parcels, the Maximum Annual Special Tax is assigned to the Single-family Residential

Parcels and Large Lot Parcels created by the Subdivision in the following manner.

- Step 1. Assign Planned Residential Lots according to the instructions in **Section 5.B.2.**
- Step 2. For the remaining Large Lot Parcel(s), multiply the number of Planned Residential Lots assigned to the Large Lot Parcel times the Maximum Annual Special Tax per Unit, as shown in **Attachment 1**, to determine the Maximum Annual Special Tax for the Large Lot Parcels(s).
- Step 3. Multiply the Planned Residential Lots assigned to the Large Lot Parcel that has been Subdivided into Developed Parcels by the Maximum Annual Special Tax per Unit assigned to the Large Lot Parcel in **Attachment 1**.
- Step 3. Divide the Maximum Annual Special Tax calculated in **Step 3** above by the number of actual Single Family Residential Parcels created by the Final Subdivision Map. This amount is the Maximum Annual Special Tax per Unit for the Developed Parcels.
- c. If Original or Successor Parcels is Subdivided into Developed Parcels. The Maximum Annual Special Tax is assigned to Developed Parcels using the following steps. There shall be no net loss of Maximum CFD Revenue as a result of the assignment of the Maximum Annual Special Tax to Developed Parcels.
- Step 1. Divide the total amount of Maximum Annual Special Tax assigned to the Large Lot Parcel by the total number of actual Single Family Residential Parcels created by the Final Subdivision Map. This amount is the Maximum Annual Special Tax per Unit.

C. Transfer of Planned Residential Lots from Original or Successor Parcel to Another. The City may, at its sole discretion, allow the transfer of Planned Residential Units from one Original or Successor Parcel to another. Such transfer shall only be allowed if (i) all transfers are agreed to in writing by the affected property owners and Finance Director, and (ii) there is no reduction in Maximum CFD Revenue as a result of such transfers. If such transfer is requested, the Administrator will use the following steps to transfer Planned Residential Lots among Parcels:

1. Determine the number of Planned Residential Lots to be transferred.
2. Determine (from **Attachment 1**) that the Maximum Annual Special Tax per Unit for the Planned Residential Lots to be transferred.

3. Determine (from **Attachment 1**) that the Maximum Annual Special Tax per Unit for the Large Lot Parcel to which the Planned Residential Lots are to be transferred. If the Maximum Annual Special Tax per Unit is the same for each Original or Successor Parcel, reassign the Planned Residential Lots from one Original or Successor Parcel to another. The transfer is complete.
4. If the Maximum Annual Special Tax per Unit is not the same for Units assigned to the Parcels from and to which Planned Residential Lots are to be transferred, then multiply the number calculated in **Section C.1** times the amount determined in **Section C.2**. Subtract this amount from the Maximum Annual Special Tax assigned to the Original or Successor Parcel from which Planned Residential Units are being transferred, and add this amount to the Maximum Annual Special Tax for the Parcel to which Planned Residential Lots are being transferred. Next, transfer the number of Planned Residential Units from one Parcel to the other.

D. Conversion of a Tax-Exempt Parcel to a Taxable Parcel. If a Tax-Exempt Parcel is converted to a Taxable Parcel, it shall become subject to the Special Tax. The Maximum Annual Special Tax for each such Parcel shall be the Taxable Acreage of the Parcel multiplied by \$8,300.

E. Taxable Parcel Acquired by a Public Agency. A Taxable Parcel that is acquired by a public agency after the CFD is formed will remain subject to the applicable Special Tax unless the Special Tax obligation is satisfied pursuant to Section 53317.5 of the Government Code. An exception to this may be made if a Public Parcel, such as a school site, is relocated to a Taxable Parcel, in which case the previously Tax-Exempt Parcel of comparable acreage becomes a Taxable Parcel and the Maximum Annual Special Tax from the previously Taxable Parcel is transferred to the new Taxable Parcel. This trading of a Parcel from a Taxable Parcel to a Public Parcel will be permitted to the extent there is no net loss in Maximum CFD Revenue, and the transfer is agreed to by the owners of the Parcels involved in the transfer and the Administrator.

6. Setting the Annual Special Tax Rate for Taxable Parcels

The City shall calculate the Special Tax levy for each Taxable Parcel for each Fiscal Year as follows:

- A. Compute the Annual Costs using the definition of Annual Costs in **Section 2**.
- B. Calculate the Special Tax levy for each Taxable Parcel by the following steps:
 - Step 1: Compute 100% of the Maximum Annual Special Tax Revenue for all Taxable Parcels.

Step 2: Compare the Annual Costs with the Maximum Annual Special Tax Revenue calculated in the previous step.

Step 3: If the Annual Costs are less than the Maximum Annual Special Tax Revenue, decrease proportionately the Special Tax levy for each Taxable Parcel until the Special Tax Revenue equals the Annual Cost.

C. Levy on each Taxable Parcel the amount calculated above.

D. Prepare the Tax Collection Schedule, unless an alternative method of collection has been selected pursuant to **Section 9** to be discussed, and send it to the County Auditor requesting that it be placed on the general, secured property tax roll for the Fiscal Year. The Tax Collection Schedule shall not be sent later than the date required by the Auditor for such inclusion.

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

As development and subdivision of CFD land uses take place, the City will maintain a file, available for public inspection, of each current County Assessor's Parcel Number within the CFD, its Maximum Annual Special Tax, and the Maximum Annual Special Tax Revenues for all Parcels within the CFD. This record shall show the calculation of the assigned Maximum Annual Special Tax to each Taxable Parcel.

7. Prepayment of Special Tax

A property owner may permanently satisfy the Special Tax on a Parcel by prepayment as permitted under Government Code Section 53344. Prepayment is permitted only under the following conditions:

- The Prepayment is based on the Maximum Annual Special Tax for the prepaying Parcel at the time of Prepayment.
- The City determines that the Prepayment of the Special Tax does not jeopardize its ability to make timely payments of Debt Service on outstanding bonds.
- The landowner prepaying the Special Tax on a Parcel has paid any delinquent Special Tax and penalties on that Parcel prior to Prepayment.

The Prepayment amount shall be established by following the steps:

Outstanding Bond Share

- Step 1: Determine the Maximum Annual Special Tax for the Parcel for which the Special Tax is to be fully prepaid by following the procedures in **Section 5**.
- Step 2: Divide the Maximum Annual Special Tax from Step 1 by the Maximum CFD Revenue to arrive at the Benefit Share.
- Step 3: Determine the Bond Share for the Parcel by multiplying the Benefit Share from Step 2 by the Outstanding Bonds. The Outstanding Bonds to be retired from Special Taxes that have been levied but not collected shall reduce the amount of Outstanding Bonds for purposes of calculating the Bond Share. Round to the nearest \$5,000. This amount is the amount to call Bonds.
- Step 4: Add to the amount calculated in Step 3 any fees, call premiums, and expenses incurred by the City in connection with the prepayment calculation or the application of the proceeds of the Prepayment to the call of Bonds.
- Step 5: Determine the Parcel Reserve Fund Share by multiplying the Benefit Share by the Reserve Fund Requirement. Reduce the amount calculated in Step 4 by the Parcels Reserve Fund Share. This amount is the net Prepayment amount.

Note: At the City's sole discretion, the Parcel's Reserve Fund Share may be used to net against the rounding amount and any excess or deficiency netted against the subsequent Fiscal Year Special Tax levy.

8. Appeals

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

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

Interpretations may be made by Resolution of the Council for purposes of clarifying any vagueness or ambiguity as it relates to the Special Tax rate, the method of apportionment, the classification of properties, or any definition applicable to the CFD.

9. Manner of Collection

The Special Tax will be collected in the same manner and at the same time as *ad valorem* property taxes, provided, however, that the City or its designee may directly bill the Special Tax and may collect the Special Tax at a different time, such as on a monthly or other periodic basis, or in a different manner, if necessary to meet its financial obligations.

Attachment 1
Longmeadow Parkside CFD No. 1 (Public Facilities)
Maximum Annual Special Tax for Original Parcels [1]

Original Parcel	Description	Unit Type	Planned Residential Lots [2]	Maximum Annual Special Tax per Unit	Maximum Annual Special Tax per Original Parcel [3]
482-320-001 to 076	Village L-1	Market Rate Units	144	\$1,584	\$228,096
482-330-001 to 068	Village L-1	Market Rate Units	14	\$1,104	\$15,456
482-351-001 to 14	Village L-2	Market Rate Units	3	\$1,104	\$3,312
482-351-017,018, 021	Village L-2	Market Rate Units	5	\$1,104	\$5,520
482-354-001, 004 to 007	Village L-2	Market Rate Units	14	\$1,104	\$15,456
482-354-010 to 013,016 to 025	Village L-2	Market Rate Units	8	\$1,104	\$8,832
482-354-028 to 031, 034 to 037	Village L-2	Market Rate Units	4	\$1,104	\$4,416
482-354-040 to 042, 046	Village L-2	Market Rate Units	4	\$1,104	\$4,416
482-355-001, 005 to 007	Village L-2	Market Rate Units	7	\$1,104	\$7,728
482-354-011 to 013, 017 to 020	Village L-2	Market Rate Units	8	\$1,104	\$8,832
482-352-001 to 008	Village L-2	Market Rate Units	14	\$1,104	\$15,456
482-353-001 to 014	Village L-2	Market Rate Units	29	\$1,104	\$32,016
482-356-001 to 029	Village L-2	Market Rate Units	7	\$1,104	\$7,728
482-357-001 to 007	Village L-2	Affordable Units	4	\$120	\$480
482-351-015 to 016, 019 to 020	Village L-2	Affordable Units	6	\$120	\$720
482-354-002,003,008,009,014,015	Village L-2	Affordable Units	9	\$120	\$1,080
482-354-026,027,032,033,038,039,043 to 045	Village L-2	Affordable Units	9	\$120	\$1,080
482-355-002 to 004, 008 to 010, 014 to 016	Village L-2	Affordable Units	145		\$132,528
		Subtotal			
482-340-007 [4] [5]	Por. L-3, L-4	Market Rate Units	191	\$1,104	\$210,864
	Por. L-5				
482-340-005 [4] [5]	Por. L-4, L-5	Market Rate Units	62	\$1,104	\$68,448

Attachment 1
Longmeadow Parkside CFD No. 1 (Public Facilities)
Maximum Annual Special Tax for Original Parcels [1]

Original Parcel	Description	Unit Type	Planned Residential Lots [2]	Maximum Annual Special Tax per Unit	Maximum Annual Special Tax per Original Parcel [3]
482-340-006 [4]	Por. L-3	Market Rate Units	2	\$1,104	\$2,208
011-270-001 to 020	D-1	Market Rate Units	35	\$320	\$11,200
011-280-002 to 016					
482-340-003	L-6	Public Parcel [6]	0	\$0	\$0
Totals			579		\$653,344

'att_1"

[1] The Maximum Annual Special Tax does not escalate.

[2] There should be no net loss of Maximum Annual Special Tax Revenue. If the number of Planned Residential Lots are not created once final maps have been recorded, the Maximum Annual Special Tax per Unit will increase to ensure that there is no net loss of Maximum Annual Special Tax Revenue.

[3] A Maximum Annual Special Tax is assigned to each Original Parcel. As Original Parcels are Subdivided, Planned Residential Lots are assigned by the Developer to the Successor Parcels created by the Subdivision. If the Developer fails to assign Planned Residential Lots to Successor Parcels, the Administrator will assign the Planned Residential Lots using **Section 5.B.2**.

[4] List of Planned Residential Units assigned to Villages L-3, L-4, and L-5 and corresponding County Assessor's Parcels.

Village L-3	76 Units	por. 482-340-007
Village L-4	109 units	482-340-006, por. 482-340-005 and 007
Village L-5	70 units	por. 482-340-005 and 007

[5] If Village L-5 is sold to the Roseville City School District, the Developer will prepay the Special Tax obligation for 72 Planned Residential Units.

[6] Any Public Parcel or Tax-Exempt Parcels that is converted to taxable uses will be assigned a Maximum Annual Special Tax by multiplying the Taxable Acreage of the Parcel by \$8,300.

APPENDIX B
THE APPRAISAL

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Seevers
Jordan
Ziegenmeyer

3825 Atherton Road • Suite 500 • Rocklin, CA 95765 • 916.435.3883 • Fax 916.435.4774

Real Estate Appraisal & Consultation

October 4, 2005

Mr. Russell Branson
Administrative Services Director/Treasurer
City of Roseville
311 Vernon Street
Roseville, California 95678

RE: Properties within Longmeadow Porter CFD No. 1
Roseville, California 95747

Dear Mr. Branson:

At your request and authorization, Seevers • Jordan • Ziegenmeyer has prepared an update to our appraisal of the properties within Longmeadow Porter Community Facilities District (CFD) No. 1. In the original document, dated July 20, 2005, we submitted a Complete Appraisal and presented our findings in a Self-Contained Appraisal Report format, conforming to the requirements set forth under Standards Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice (USPAP). Our original appraisal had an effective date of value of June 20, 2005. **This update appraisal may only be used in conjunction with our original report.**

The Longmeadow Porter CFD No. 1 bond issuance is scheduled to fund certain portions of public improvements required for the development of 579 single-family residential lots, including 32 affordable housing lots. The subject property consists of two non-contiguous projects identified as Longmeadow and Parkside Estates. Longmeadow encompasses 544 lots and, as proposed, will be developed with two villages. The lots are at various stages of development (partially improved and unimproved). Parkside Estates represents 35 improved lots with a typical lot size of 6,000 square feet. Both properties are under the ownership of John Mourier Construction, Inc. The financing provided through the bond issuance will be used for improvements to Blue Oaks Boulevard, Woodcreek Oaks Boulevard, Parkside Drive and New Meadow Drive. These improvements include—but are not limited to—drainage, water, joint trench utilities, concrete curbs, gutters and sidewalks, maintenance holes, street lighting, landscaping, masonry walls and other miscellaneous improvements. As of the date of this report, facilities to be financed by the proposed bond issuance were partially complete.

The subject property is located in the city of Roseville, Placer County, California. Specifically, the Longmeadow project is situated along the north line of Blue Oaks Boulevard, east of Woodcreek



Update Appraisal Report

Properties within Longmeadow Porter Community Facilities District No. 1 Roseville, California 95747

Date of Report: October 4, 2005

Prepared For:

Mr. Russell Branson
Administrative Services Director/Treasurer
City of Roseville
311 Vernon Street
Roseville, California 95678

Prepared By:

P. Richard Seevers, MAI
Kevin K. Ziegenmeyer, Appraiser
Nelson M. Wong, Appraiser



Seevers
Jordan
Ziegenmeyer

Real Estate Appraisal & Consultation

3825 Atherton Road • Suite 500 • Rocklin, CA 95765 • 916.435.3883 • Fax: 916.435.4774

Oaks Boulevard. Parkside Estates is located at the southeast quadrant of Junction Boulevard and Porter Drive. The following table details the various properties encompassing Longmeadow Porter Community Facilities District No. 1.

Designation	Land Area (Acres)	No. of Lots	Typical Lot Size (SF)
Longmeadow			
Village 1	32.90	144	6,000
Village 2 - Phase 1	16.50	145	3,000
Village 2 - Phase 2	8.70	76	3,000
Village 2 - Phase 3	12.40	109	3,000
Village 2 - Phase 4	8.20	70	3,000
Parkside Estates	8.80	35	6,000
Total	87.50	579	

The values estimated in the original appraisal and in the attached update appraisal report are subject to the hypothetical condition that the improvements to be financed by the Longmeadow Porter Community Facilities District No. 1 bond issuance are in place. The value estimate assumes a transfer would reflect a cash transaction or terms considered to be equivalent to cash. The estimate is premised on an assumed sale after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with buyer and seller each acting prudently, knowledgeably, for their own self-interest, and assuming neither is under duress. The estimate of value also accounts for the impact of the Special Tax securing the bonds.

As a result of our original appraisal analysis conducted on July 20, 2005 (with an effective date of value of June 20, 2005), it was our opinion the hypothetical market value of the subject property, in accordance with the definitions, certifications, assumptions and significant factors set forth on pages 7 through 9 of the original report, was \$70,100,000.

The effective date of this update appraisal is October 3, 2005. Since the effective date of the original appraisal (June 20, 2005), market conditions have continued to improve; the final map for Longmeadow: Village 2 - Phase 1 has recorded, 40 homes within Longmeadow have been placed under contract, single-family residences with Parkside Estates have been completed, and additional site development has been completed by the master developer, all of which are deemed enhancements to value. Considering the improvements that have been completed since the original appraisal, as well as the results of an analysis of current market conditions, it is our conclusion the hypothetical market of the subject property, as of October 3, 2005, is not less than **\$70,100,000**.

We hereby certify the property has been inspected, and we have impartially considered all data collected in the investigation. Further, we have no past, present or anticipated future interest in the property.

This letter must remain attached to the Update Appraisal Report dated October 4, 2005, which contains 8 pages, as well as our original Complete Appraisal Self-Contained Report dated July 20, 2005, which contains 109 pages plus Addenda, in order for the value opinion contained herein to be considered valid.

The subject property does not have any significant natural, cultural, recreational or scientific value. The appraisers certify this appraisal assignment was not based on a requested minimum valuation, a specific valuation or the approval of a loan.

This appraisal has been performed in accordance with the requirements of the Uniform Standards of Professional Appraisal Practice (USPAP), the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute, and the Appraisal Standards for Land Secured Financing published by the California Debt and Investment Advisory Commission.

Thank you for the opportunity to work with your office on this assignment.

Sincerely,



P. Richard Seevers, MAI
State Certification No.: AG001723
Expires: August 12, 2006



Kevin K. Ziegenmeyer, Appraiser
State Certification No. AG013567
Expiration Date: June 4, 2007



Nelson M. Wong, Appraiser
State Certification No. AG034862
Expiration Date: August 12, 2006

This report represents an update to our previous appraisal of the properties within Longmeadow Porter Community Facilities District (CFD) No. 1. In the original document, dated July 20, 2005, we submitted a Complete Appraisal and presented our findings in a Self-Contained Appraisal Report format, conforming to the requirements set forth under Standards Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice (USPAP). Our original appraisal had an effective date of value of June 20, 2005. This update appraisal may only be used in conjunction with our original report.

As a Summary Appraisal Report, this update appraisal does not present complete discussions of the data, reasoning and analyses that were used in the appraisal process to develop the appraisers' opinion(s) of value. Supporting documentation concerning the data, reasoning and analyses is retained in the appraisers' work file.

Property:

The appraised property comprises the land areas within the proposed boundaries of Longmeadow Porter Community Facilities District No. 1.

Location:

The Longmeadow development is situated along the north line of Blue Oaks Boulevard, east of Woodcreek Oaks Boulevard. Parkside Estates is located at the southeast quadrant of Junction Boulevard and Porter Drive. Both properties are located within the city of Roseville, Placer County, California.

Land Use:

The properties within the District consist of 579 single-family residential lots at various stages of development (unimproved, partially improved and improved). 32 of the lots are designated for affordable housing units.

Owner(s) of Record:

Title to the subject property is presently vested with John Mourier Construction, Inc.

Sales History:

Please reference page 109 of our original appraisal report dated July 20, 2005.

Purpose of the Appraisal:

The purpose of this update appraisal is to estimate the not-less-than hypothetical market value (fee simple estate) of the subject property, assuming all improvements to be financed by the proposed Longmeadow Porter Community Facilities District No. 1 bond issuance are in place.

Client and Intended User:

The client and intended user of this appraisal report is the City of Roseville.

Intended Use of the Report:

This appraisal is intended for use as an aid in bond underwriting.

Property Rights Appraised:

Fee simple estate

Type of Appraisal and Report Format:

As requested, this update appraisal is presented in a Summary Appraisal Report format, which is intended to comply with the reporting requirements set forth under Standards Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice (USPAP).

Date of Inspection:

October 3, 2005

Effective Date of Value:

October 3, 2005

Date of Report:

October 4, 2005

Scope of Work:

In preparing this update appraisal, we analyzed market data presented in our original appraisal report dated July 20, 2005. In addition, we analyzed current market conditions in the market area of the subject property, through an analysis of recent market sales and discussions with local real estate brokers and developers. This Summary Appraisal Report sets forth only the appraisers' conclusions. Supporting documentation is retained in the appraisers' work file.

Highest and Best Use:

An analysis of the highest and best use of the subject property is contained on pages 72 through 74 of the original appraisal.

Prepared By:

P. Richard Seevers, MAI
Kevin K. Ziegenmeyer, Appraiser
Nelson M. Wong, Appraiser

Conclusion of Not-Less-Than Hypothetical Market Value:

\$70,100,000

The hypothetical market value conclusion is subject to the *General and Extraordinary Assumptions, Limiting Conditions and Significant Factors* referenced on pages 3 through 5 of this report.

EXTRAORDINARY ASSUMPTIONS AND HYPOTHETICAL CONDITIONS

Extraordinary Assumptions

1. The values derived in this report are directly tied to the subdivision maps provided by the master developer. Any significant change in the number or size of the new parcels could affect value. It is assumed the subject will be subdivided as represented by the developer for this analysis. If, at some future date, alternate mapping or phasing of the subject property is implemented, there will necessarily be a direct impact on value, and the appraisers reserve the right to amend the opinion(s) of value stated herein.
2. We have been provided site development cost projections for the subject property. In comparing these costs with the in-tract costs for other residential developments in the Sacramento region, it appears the budgeted costs are reasonable. Any significant variations from the cost projections used in this analysis could have an impact on the value(s) concluded in this report. If, at some future date, the actual improvement costs are reported to be different from the projected costs utilized in our analysis, the appraiser reserves the right to amend the value opinion(s) contained herein.
3. As stipulated in the Development Agreement between the City of Roseville and John Mourier Construction, Inc., a 7.49 ± acre portion of the Longmeadow subdivision has the possibility for development as an elementary school. The Roseville City School District (RCSD) has an option to purchase the site at fair market value and must exercise this option, if at all, by December 1, 2005. If the option is exercised, the lot count would be reduced by 72 lots, all of which are situated within Village 2 of Longmeadow. However, the RCSD Agreement is not considered to have an adverse impact on value, even if the option is exercised, due to the fact that the school district is required to purchase the property at fair market value under the highest and best economic use as 72 residential lots.
4. The subject developments have several lots that are improved with single-family homes. The valuation of the improvements on these parcels is beyond the scope of our analysis; therefore, in estimating the hypothetical market value of the subject property, we will only consider the value of the underlying land.

Hypothetical Condition

5. The estimate of hypothetical market value assumes the completion of the public infrastructure improvements to be financed by the Longmeadow Porter Community Facilities District No. 1 bond issuance. The funds will be used for improvements to Blue Oaks Boulevard, Woodcreek Oaks Boulevard, Parkside Drive and New Meadow Drive. These improvements include—but are not limited to—drainage, water, joint trench utilities, concrete curbs, gutters and sidewalks, maintenance holes, street lighting, landscaping, masonry walls and other miscellaneous improvements.

GENERAL ASSUMPTIONS AND LIMITING CONDITIONS

1. No responsibility is assumed for the legal description provided or for matters pertaining to legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.
2. No responsibility is assumed for matters of law or legal interpretation.
3. The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated.
4. The information and data furnished by others in preparation of this report is believed to be reliable, but no warranty is given for its accuracy.
5. It is assumed there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for obtaining the engineering studies that may be required to discover them.
6. It is assumed the property is in full compliance with all applicable federal, state, and local environmental regulations and laws unless the lack of compliance is stated, described, and considered in the appraisal report.
7. It is assumed the property conforms to all applicable zoning and use regulations and restrictions unless a nonconformity has been identified, described and considered in the appraisal report.
8. It is assumed all required licenses, certificates of occupancy, consents, and other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
9. It is assumed the use of the land and improvements is confined within the boundaries or property lines of the property described and there is no encroachment or trespass unless noted in the report.
10. Unless otherwise stated in this report, the existence of hazardous materials, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, and other potentially hazardous materials may affect the value of the property. The value estimated is predicated on the assumption there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for such conditions or for any expertise or engineering knowledge required to discover them. The intended user of this report is urged to retain an expert in this field, if desired.
11. The Americans with Disabilities Act (ADA) became effective January 26, 1992. I (we) have not made a specific survey or analysis of this property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. Since compliance matches each owner's financial ability with the cost to cure the property's potential physical characteristics, the real estate appraiser cannot comment on compliance with ADA. A brief summary of the

subject's physical aspects is included in this report. It in no way suggests ADA compliance by the current owner. Given that compliance can change with each owner's financial ability to cure non-accessibility, the value of the subject does not consider possible non-compliance. Specific study of both the owner's financial ability and the cost-to-cure any deficiencies would be needed for the Department of Justice to determine compliance.

12. *The appraisal is to be considered in its entirety and use of only a portion thereof will render the appraisal invalid.*

13. *Possession of this report or a copy thereof, does not carry with it the right of publication nor may it be used for any purpose by anyone other than the client without the previous written consent of Seevers • Jordan • Ziegenmeyer.*

14. *Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news, sales, or any other media without the prior written consent and approval of Seevers • Jordan • Ziegenmeyer. Seevers • Jordan • Ziegenmeyer authorizes the reproduction of this report in its entirety for bond proposes.*

15. *The liability of Seevers • Jordan • Ziegenmeyer and its employees/subcontractors for errors/omissions, if any, in this work is limited to the amount of its compensation for the work performed in this assignment.*

16. *Acceptance and/or use of the appraisal report constitutes acceptance of all assumptions and limiting conditions stated in this report.*

17. *An inspection of the subject properties revealed no apparent adverse easements, encroachments or other conditions, which currently impact the subject. However, the exact locations of typical roadway and utility easements, or any additional easements, which would be referenced in a preliminary title report, were not provided to the appraiser. The appraiser is not a surveyor nor qualified to determine the exact location of easements. It is assumed typical easements do not have an impact on the opinion (s) of value as provided in this report. If, at some future date, these easements are determined to have a detrimental impact on value, the appraiser reserves the right to amend the opinion (s) of value.*

18. *This appraisal report is prepared for the exclusive use of the appraiser's client. No third parties are authorized to rely upon this report without the express consent of the appraiser.*

19. *The appraiser is not qualified to determine the existence of mold, the cause of mold, the type of mold or whether mold might pose any risk to the property or its inhabitants. Additional inspection by a qualified professional is recommended.*

CERTIFICATION OF VALUE

I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Uniform Standards of Professional Appraisal Practice.
- I have made an inspection of the property that is the subject of this report;
- Kevin Ziegenmeyer and Nelson Wong, Appraisers, also inspected the subject property and provided significant professional appraisal assistance in the preparation of this report. This assistance included the collection and confirmation of data, and the analysis necessary to prepare a draft report with a preliminary estimate of value.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- I certify that my State of California general real estate appraiser certificate has never been revoked, suspended, cancelled or restricted.
- I have the knowledge and experience to complete this appraisal assignment and have appraised similar properties in the past. Please see the Qualifications of Appraiser portion of the Addenda to this report for additional information.
- As of the date of this report, I, P. Richard Seevers, MAI, have completed the requirements under the continuing education program of the Appraisal Institute.

P. Richard Seevers

P. RICHARD SEEVERS, MAI
State Certification No.: AG001723 (Expires August 12, 2006)

____Seevers • Jordan • Ziegenmeyer_____

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____Seevers • Jordan • Ziegenmeyer_____

6

CERTIFICATION OF VALUE

I certify, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct;
- The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial and unbiased professional analyses, opinions, and conclusions;
- I have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved;
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment;
- My engagement in this assignment was not contingent upon developing or reporting predetermined results;
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal;
- My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Uniform Standards of Professional Appraisal Practice;
- I have made an inspection of the property that is the subject of this report;
- Nelson Wong, Appraiser, also inspected the subject property and provided significant professional appraisal assistance in the preparation of this report. This assistance included the collection and confirmation of data, and the analysis necessary to prepare a draft report with a preliminary estimate(s) of value;
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute;
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives;
- I certify my State of California general real estate appraiser certificate has never been revoked, suspended, cancelled, or restricted; and
- I have the knowledge and experience to complete this appraisal assignment and have appraised similar properties in the past. Please see the Qualifications of Appraiser portion of the Addenda to this report for additional information.



KEVIN K. ZIEGENMEYER, APPRAISER
State Certification No.: AG013567 (Expires: June 4, 2007)

Seever • Jordan • Ziegenmeyer

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CERTIFICATION OF VALUE

I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial and unbiased professional analyses, opinions and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Uniform Standards of Professional Appraisal Practice.
- I have made an inspection of the property that is the subject of this report.
- The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- I certify that my State of California general real estate appraiser certificate has never been revoked, suspended, cancelled or restricted.
- I have the knowledge and experience to complete this appraisal assignment and have appraised similar properties in the past. Please see the Qualifications of Appraiser portion of the Addenda to this report for additional information.



NELSON M. WONG, APPRAISER
State Certification No.: AG034862 (Expires: August 12, 2006)

Seever • Jordan • Ziegenmeyer

8

Complete Appraisal Self-Contained Report

**Properties within Longmeadow Porter
Community Facilities District No. 1**
Roseville, California 95747



Date of Report: July 20, 2005

Prepared For:

Mr. Russell Branson, Finance Director
City of Roseville
311 Vernon Street
Roseville, California 95678

Prepared By:

P. Richard Seevers, MAI
Kevin K. Ziegenmeyer, Appraiser
Nelson M. Wong, Appraiser



**Seevers
Jordan
Ziegenmeyer**

Real Estate Appraisal & Consultation

3825 Atherton Road • Suite 500 • Rocklin, CA 95765 • 916.435.3883 • Fax: 916.435.4774



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July 20, 2005

Mr. Russell Branson, Finance Director
City of Roseville
311 Vernon Street
Roseville, California 95678

RE: Properties within Longmeadow Porter CFD No. 1
Roseville, California 95747

Dear Mr. Branson:

At your request and authorization, Seevers • Jordan • Ziegenmeyer has analyzed market data for the purpose of estimating the hypothetical market value (*fee simple estate*) of the properties within Longmeadow Porter Community Facilities District (CFD) No. 1, under the assumptions and conditions contained in this report.

The appraisal report has been conducted in accordance with appraisal standards and guidelines found in the Uniform Standards of Professional Appraisal Practice (USPAP) and the Appraisal Standards for Land Secured Financing, published by the California Debt and Investment Advisory Commission. This document is presented in a Self-Contained Appraisal Report format and is intended to comply with the reporting requirements set forth under Standards Rule 2-2(a) of USPAP.

The Longmeadow Porter CFD No. 1 bond issuance is scheduled to fund certain portions of public improvements required for the development of 579 single-family residential lots, including 32 affordable housing lots. The subject property consists of two non-contiguous projects identified as Longmeadow and Parkside Estates. Longmeadow encompasses 544 lots and, as proposed, will be developed with two villages. The lots are at various stages of development (partially improved and unimproved). Parkside Estates represents 35 improved lots with a typical lot size of 6,000 square feet. Both properties are under the ownership of John Mourier Construction, Inc. The financing provided through the bond issuance will be used for improvements to Blue Oaks Boulevard, Woodcreek Oaks Boulevard, Parkside Drive and New Meadow Drive. These improvements include—but are not limited to—drainage, water, joint trench utilities, concrete curbs, gutters and sidewalks, maintenance holes, street lighting, landscaping, masonry walls and other miscellaneous improvements.

The subject property is located in the city of Roseville, Placer County, California. Specifically, the Longmeadow project is situated along the north line of Blue Oaks Boulevard, east of Woodcreek

Oaks Boulevard. Parkside Estates is located at the southeast quadrant of Junction Boulevard and Porter Drive. The following table details the various properties encompassing Longmeadow Porter Community Facilities District No. 1. A more detailed legal and physical description of the subject property is contained within the attached report.

Designation	Land Area (Acres)	No. of Lots	Typical Lot Size (SF)
Longmeadow			
Village 1	32.90	144	6,000
Village 2 - Phase 1	16.50	145	3,000
Village 2 - Phase 2	8.70	76	3,000
Village 2 - Phase 3	12.40	109	3,000
Village 2 - Phase 4	8.20	70	3,000
Parkside Estates	8.80	35	6,000
Total	87.50	579	

While several homes have recently been completed or are currently under development, the contributory value of the improvements is beyond the scope of our analysis. Therefore, in estimating the hypothetical market value of the subject property, we will only consider the value of the underlying land. There are also a number of sites (public/quasi-public, commercial, and open space) within the boundaries of the District that will not be encumbered by a special tax. Thus, these land areas are excluded from our analysis.

We have been requested to provide an estimate of hypothetical market value of the subject property as of our date of inspection (June 20, 2005). The value estimate assumes a transfer would reflect a cash transaction or terms considered to be equivalent to cash. The estimate is also premised on an assumed sale after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with buyer and seller each acting prudently, knowledgeably, for their own self-interest, and assuming neither is under duress.

In light of the fact that the improvements to be financed by the district bonds were not in place as of our date of inspection, the value estimate is subject to a hypothetical condition, defined as that which is contrary to what exists but is supposed for the purposes of analysis. Specifically, the hypothetical market value estimate assumes the completion of the public facilities to be financed by the Longmeadow Porter Community Facilities District No. 1 bond issuance. The estimate of value also accounts for the impact of the Special Tax securing the bonds. As a result of our analysis, it is our opinion the hypothetical market value of the subject property, in accordance with the definitions,

certifications, assumptions and significant factors set forth in the attached document (please refer to pages 7 through 9), as of June 20, 2005, is...

Hypothetical Market Value: **\$70,100,000**

This letter must remain attached to the report, which contains 109 pages, plus related exhibits and Addenda, in order for the value opinion(s) contained herein to be considered valid.

We hereby certify the property has been inspected and we have impartially considered all data collected in the investigation. Further, we have no past, present or anticipated future interest in the property.

Thank you for the opportunity to work with your office on this assignment.

Sincerely,



P. Richard Seevers, MAI
State Certification No.: AG001723
Expires: August 12, 2006



Kevin K. Ziegenmeyer, Appraiser
State Certification No. AG013567
Expiration Date: June 4, 2007



Nelson M. Wong, Appraiser
State Certification No. AG034862
Expiration Date: August 12, 2006

/smh

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SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS

Property:

The appraised property comprises the land areas within the proposed boundaries of Longmeadow Porter Community Facilities District No. 1.

Location:

The Longmeadow development is situated along the north line of Blue Oaks Boulevard, east of Woodcreek Oaks Boulevard. Parkside Estates is located at the southeast quadrant of Junction Boulevard and Porter Drive. Both properties are located within the city of Roseville, Placer County, California.

Land Use:

The properties within the District consist of 579 single-family residential lots at various stages of development (unimproved, partially improved and improved). 32 of the lots are designated for affordable housing units.

Assessor's Parcel Number(s):

Longmeadow is situated within the confines of four assessor's parcels identified as 017-115-083 through -086. Parkside Estates represents assessor's parcels 011-270-001 through -020 and 011-280-002 through -016.

Owner(s) of Record:

John Mourier Construction, Inc.

Zoning and Entitlements:

The Longmeadow project is zoned RS/DS (Small Lot Residential/Development Standard Overlay) and has tentative map approval for the development of detached single-family residential lots. Additionally, a Development Agreement is in place between the City of Roseville and JMC Homes that permits development of the property as planned. The Parkside Estates subdivision is zoned R1 (Single-Family Residential) and has a recorded final map.

Flood Zone:

X – Areas outside of the 100 and 500-year floodplains

Earthquake Zone:

Zone 3 – Moderate seismic activity (not located in a Fault-Rupture Hazard Zone)

Developable Land Area (Excludes Tax

Exempt Areas):

Longmeadow 78.70± acres
Parkside Estates 8.80± acres
Total 87.50± acres

Highest and Best Use:

Development as well balanced single-family residential subdivisions.

Exposure Time:

12 months

Date of Inspection:

June 20, 2005

Effective Date of Value:

June 20, 2005

Date of Report:

July 20, 2005

Property Rights Appraised:

Fee simple estate

Conclusion of Hypothetical Market Value:

\$70,100,000

The hypothetical market value conclusion is subject to the *General and Extraordinary Assumptions, Limiting Conditions and Significant Factors* referenced on pages 7 through 9 of this report.

INTRODUCTION

Property Description

The Longmeadow Porter CFD No. 1 bond issuance is scheduled to fund certain portions of public improvements required for the development of 579 single-family residential lots, including 32 affordable housing lots. The subject property consists of two non-contiguous projects identified as Longmeadow and Parkside Estates. Longmeadow encompasses 544 lots and, as proposed, will be developed with two villages. There are 144 lots proposed for Village 1, with a typical lot size of 6,000 square feet. Village 2 is more representative of a medium density development, with 400 lots having a typical lot size of 3,000 square feet. Of these 400 lots, 32 lots are designated for low and middle-income affordable housing units. The lots within Longmeadow are at various stages of development (partially improved and unimproved). Parkside Estates represents 35 improved lots with a typical lot size of 6,000 square feet. There are also a number of sites (public/quasi-public, commercial, and open space) within the boundaries of the District that will not be encumbered by a special tax. Thus, these land areas are excluded from our analysis. The following table details the various land use components comprising the subject property.

Designation	Land Area (Acres)	No. of Lots	Typical Lot Size (SF)
<i>Longmeadow</i>			
Village 1	32.90	144	6,000
Village 2 - Phase 1	16.50	145	3,000
Village 2 - Phase 2	8.70	76	3,000
Village 2 - Phase 3	12.40	109	3,000
Village 2 - Phase 4	8.20	70	3,000
<i>Parkside Estates</i>	8.80	35	6,000
Total	87.50	579	

Longmeadow is situated along the north line of Blue Oaks Boulevard, east of Woodcreek Oaks Boulevard, while Parkside Estates is located at the southeast quadrant of Junction Boulevard and Porter Drive. The properties are located in the western portion of the city of Roseville, Placer County, California. Land uses in the subject's immediate area are devoted primarily to residential uses and supporting commercial development, both of which have experienced steady acceptance by the market.

Type and Definition of Value

The purpose of this appraisal is to estimate the hypothetical market value of the subject property (*fee simple estate*), assuming the completion of the primary infrastructure and facilities to be financed by

the Longmeadow Porter Community Facilities District No. 1 bond issuance. Market value is defined as follows:

Market Value:

The most probable price that a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their own best interest;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U. S. Dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.¹

In light of the fact that the improvements to be financed by the district bonds were not in place as of the date of value (date of inspection), the value estimate is subject to a hypothetical condition, defined as that which is contrary to what exists but is supposed for the purposes of analysis.

Client, Intended User and Intended Use of the Appraisal

The client and intended user of this appraisal report is the City of Roseville. The appraisal report is intended for use in bond underwriting.

Property Rights Appraised

The value estimate derived herein is for the fee simple estate, defined as follows:

Fee Simple Estate: absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.²

The rights appraised are subject to the *General and Extraordinary Assumptions, Limiting Conditions and Significant Factors* contained in this report and to any exceptions, encroachments, easements and rights-of-way recorded. Primary among the assumptions in this analysis is the premise that the

¹ Federal Register, vol. 55, no. 163, August 22, 1990, 34228 and 34229.
² The Dictionary of Real Estate Appraisal, 4th ed. (Chicago: Appraisal Institute, 2002), 113.

value estimate reflects the completion of the public facilities to be financed by the District bonds and accounts for the impact of the Special Tax securing the bonds.

Type of Appraisal and Report Format

This report documents a Complete Appraisal of the subject property. It is presented in a Self-Contained Appraisal Report format, which is intended to comply with the reporting requirements set forth under Standards Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice (USPAP).

Dates of Inspection, Value and Report

An inspection of the subject property was completed on June 20, 2005, which represents the effective date of hypothetical market value. This appraisal report was completed and assembled on July 20, 2005.

Scope of the Appraisal

This appraisal report has been prepared in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP). The analysis is intended to be an "appraisal assignment," as defined by USPAP; the intention is the appraisal service be performed in such a manner that the result of the analysis, opinions or conclusions be that of a disinterested third party.

We researched and documented several legal and physical aspects of the subject property. A physical inspection of the property was completed and serves as the basis for the site description contained in this report. Interviews were conducted with Mr. Steve Sehnable and Mr. Rod Yamanaka of JMC Homes, regarding the property history and development information. The sales history was verified by consulting public records. Various documents were provided for the appraisal, including a developer's budget, preliminary title reports, site maps, and development timeline. We contacted the City of Roseville Planning Department regarding zoning and entitlements. The earthquake zone, flood zone and utilities were verified with applicable public agencies. Property tax information for the current tax year was obtained from the Placer County Treasurer-Tax Collector's Office.

We analyzed and documented data relating to the subject's neighborhood and surrounding market areas. This information was obtained through personal inspections of portions of the neighborhood and market areas, newspaper articles, real estate conferences and interviews with various market participants, including property owners, property managers, brokers, developers and local government agencies.

In this appraisal, we determined the highest and best use of the subject property as though vacant, based on the four standard tests (legal permissibility, physical possibility, financial feasibility and

maximum productivity). In addition, we estimated a reasonable exposure time associated with the hypothetical market value estimate.

We have been requested to provide an estimate of hypothetical market value of the subject property as of our date of inspection (June 20, 2005). The subdivision development method to value (discounted cash flow analysis) was relied upon in the analysis of the subject property. As a component of the subdivision development method, the sales comparison approach and extraction technique were employed to estimate value for the subject's predominate production residential lot configurations (3,000 and 6,000 square feet). With respect to the affordable housing lots, the extraction technique was exclusively relied upon to develop an opinion of hypothetical market value for these lots. The extraction technique considers the likely selling prices of the inclusionary housing units (restricted sale prices) and then reduces that value by the direct costs, indirect costs and developer's profit for the construction of the homes. The result of this analysis represents an estimate of residual value for an improved lot.

The resultant value (revenue) indicators were incorporated into a discounted cash flow analysis to estimate the hypothetical market value of the subject property in bulk, assuming the completion of the improvements to be financed by the Longmeadow Porter CFD No. 1 bond issuance.

While several homes have recently been completed or are currently under development, the contributory value of the improvements is beyond the scope of our analysis. Therefore, in estimating the hypothetical market value of the subject property, we will only consider the value of the underlying land. There are also a number of sites (public/quasi-public, commercial, and open space) within the boundaries of the District that will not be encumbered by a special tax. Thus, these land areas are excluded from our analysis.

The individuals involved in the preparation of this appraisal include Mr. P. Richard Seevers, MAI, Mr. Kevin Ziegenmeyer and Mr. Nelson Wong, Appraisers. Mr. Ziegenmeyer and Mr. Wong inspected the subject property; collected and confirmed data related to the subject, comparables and the neighborhood/market area; analyzed market data; and prepared a draft report with a preliminary estimate of value. Mr. Seevers inspected the property, offered professional guidance and instruction, reviewed the draft report and made necessary revisions.

This appraisal report has been conducted in accordance with appraisal standards and guidelines found in the Uniform Standards of Professional Appraisal Practice (USPAP) and the Appraisal Standards for Land Secured Financing, published by the California Debt and Investment Advisory Commission.

EXTRAORDINARY ASSUMPTIONS AND HYPOTHETICAL CONDITIONS

Extraordinary Assumptions

1. The values derived in this report are directly tied to the subdivision maps provided by the master developer. Any significant change in the number or size of the new parcels could affect value. It is assumed the subject will be subdivided as represented by the developer for this analysis. If, at some future date, alternate mapping or phasing of the subject property is implemented, there will necessarily be a direct impact on value, and the appraisers reserve the right to amend the opinion(s) of value stated herein.
2. We have been provided site development cost projections for the subject property. In comparing these costs with the in-tract costs for other residential developments in the Sacramento region, it appears the budgeted costs are reasonable. Any significant variations from the cost projections used in this analysis could have an impact on the value(s) concluded in this report. If, at some future date, the actual improvement costs are reported to be different from the projected costs utilized in our analysis, the appraiser reserves the right to amend the value opinion(s) contained herein.
3. As stipulated in the Development Agreement between the City of Roseville and John Mourier Construction, Inc., a 7.49± acre portion of the Longmeadow subdivision has the possibility for development as an elementary school. The Roseville City School District (RCSD) has an option to purchase the site at fair market value and must exercise this option, if at all, by December 1, 2005. If the option is exercised, the lot count would be reduced by 72 lots, all of which are situated within Village 2 of Longmeadow. However, the RCSD Agreement is not considered to have an adverse impact on value, even if the option is exercised, due to the fact that the school district is required to purchase the property at fair market value under the highest and best economic use as 72 residential lots.
4. The subject developments have several lots that are improved with single-family homes. The valuation of the improvements on these parcels is beyond the scope of our analysis; therefore, in estimating the hypothetical market value of the subject property, we will only consider the value of the underlying land.

Hypothetical Condition

5. The estimate of hypothetical market value assumes the completion of the public infrastructure improvements to be financed by the Longmeadow Porter Community Facilities District No. 1 bond issuance. The funds will be used for improvements to Blue Oaks Boulevard, Woodcreek Oaks Boulevard, Parkside Drive and New Meadow Drive. These improvements include—but are not limited to—drainage, water, joint trench utilities, concrete curbs, gutters and sidewalks, maintenance holes, street lighting, landscaping, masonry walls and other miscellaneous improvements.

GENERAL ASSUMPTIONS AND LIMITING CONDITIONS

1. No responsibility is assumed for the legal description provided or for matters pertaining to legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.
2. No responsibility is assumed for matters of law or legal interpretation.
3. The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated.
4. The information and data furnished by others in preparation of this report is believed to be reliable, but no warranty is given for its accuracy.
5. It is assumed there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for obtaining the engineering studies that may be required to discover them.
6. It is assumed the property is in full compliance with all applicable federal, state, and local environmental regulations and laws unless the lack of compliance is stated, described, and considered in the appraisal report.
7. It is assumed the property conforms to all applicable zoning and use regulations and restrictions unless a nonconformity has been identified, described and considered in the appraisal report.
8. It is assumed all required licenses, certificates of occupancy, consents, and other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
9. It is assumed the use of the land and improvements is confined within the boundaries or property lines of the property described and there is no encroachment or trespass unless noted in the report.
10. Unless otherwise stated in this report, the existence of hazardous materials, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, and other potentially hazardous materials may affect the value of the property. The value estimated is predicated on the assumption there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for such conditions or for any expertise or engineering knowledge required to discover them. The intended user of this report is urged to retain an expert in this field, if desired.
11. The Americans with Disabilities Act (ADA) became effective January 26, 1992. I (we) have not made a specific survey or analysis of this property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. Since compliance matches each owner's financial ability with the cost-to-cure the property's potential physical characteristics, the real estate appraiser cannot comment on compliance with ADA. A brief summary of the

subject's physical aspects is included in this report. It in no way suggests ADA compliance by the current owner. Given that compliance can change with each owner's financial ability to cure non-accessibility, the value of the subject does not consider possible non-compliance. Specific study of both the owner's financial ability and the cost-to-cure any deficiencies would be needed for the Department of Justice to determine compliance.

12. The appraisal is to be considered in its entirety and use of only a portion thereof will render the appraisal invalid.
13. Possession of this report or a copy thereof, does not carry with it the right of publication nor may it be used for any purpose by anyone other than the client without the previous written consent of Seevers • Jordan • Ziegenmeyer.
14. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news, sales, or any other media without the prior written consent and approval of Seevers • Jordan • Ziegenmeyer.
15. The liability of Seevers • Jordan • Ziegenmeyer and its employees/subcontractors for errors/omissions, if any, in this work is limited to the amount of its compensation for the work performed in this assignment.
16. Acceptance and/or use of the appraisal report constitutes acceptance of all assumptions and limiting conditions stated in this report.
17. An inspection of the subject property revealed no apparent adverse easements, encroachments or other conditions, which currently impact the subject. However, the exact locations of typical roadway and utility easements, or any additional easements, which would be referenced in a preliminary title report, were not provided to the appraiser. The appraiser is not a surveyor nor qualified to determine the exact location of easements. It is assumed typical easements do not have an impact on the opinion (s) of value as provided in this report. If, at some future date, these easements are determined to have a detrimental impact on value, the appraiser reserves the right to amend the opinion (s) of value.
18. This appraisal report is prepared for the exclusive use of the appraiser's client. No third parties are authorized to rely upon this report without the express consent of the appraiser.
19. The appraiser is not qualified to determine the existence of mold, the cause of mold, the type of mold or whether mold might pose any risk to the property or its inhabitants. Additional inspection by a qualified professional is recommended.

CERTIFICATION OF VALUE

I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Uniform Standards of Professional Appraisal Practice.
- I have made an inspection of the property that is the subject of this report;
- Kevin Ziegenmeyer and Nelson Wong, Appraisers, also inspected the subject property and provided significant professional appraisal assistance in the preparation of this report. This assistance included the collection and confirmation of data, and the analysis necessary to prepare a draft report with a preliminary estimate of value.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- I certify that my State of California general real estate appraiser certificate has never been revoked, suspended, cancelled or restricted.
- I have the knowledge and experience to complete this appraisal assignment and have appraised similar properties in the past. Please see the Qualifications of Appraiser portion of the Addenda to this report for additional information.
- As of the date of this report, I, P. Richard Seevers, MAI, have completed the requirements under the continuing education program of the Appraisal Institute.

P. RICHARD SEEVERS, MAI
State Certification No.: AG001723 (Expires August 12, 2006)

____ Seevers • Jordan • Ziegenmeyer

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CERTIFICATION OF VALUE

I certify, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct;
- The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial and unbiased professional analyses, opinions, and conclusions;
- I have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved;
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment;
- My engagement in this assignment was not contingent upon developing or reporting predetermined results;
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal;
- My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Uniform Standards of Professional Appraisal Practice;
- I have made an inspection of the property that is the subject of this report;
- Nelson Wong, Appraiser, also inspected the subject property and provided significant professional appraisal assistance in the preparation of this report. This assistance included the collection and confirmation of data, and the analysis necessary to prepare a draft report with a preliminary estimate(s) of value;
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute;
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives;
- I certify my State of California general real estate appraiser certificate has never been revoked, suspended, cancelled, or restricted; and
- I have the knowledge and experience to complete this appraisal assignment and have appraised similar properties in the past. Please see the Qualifications of Appraiser portion of the Addenda to this report for additional information.



KEVIN K. ZIEGENMEYER, APPRAISER
State Certification No.: AG013567 (Expires: June 4, 2007)

____ Seevers • Jordan • Ziegenmeyer

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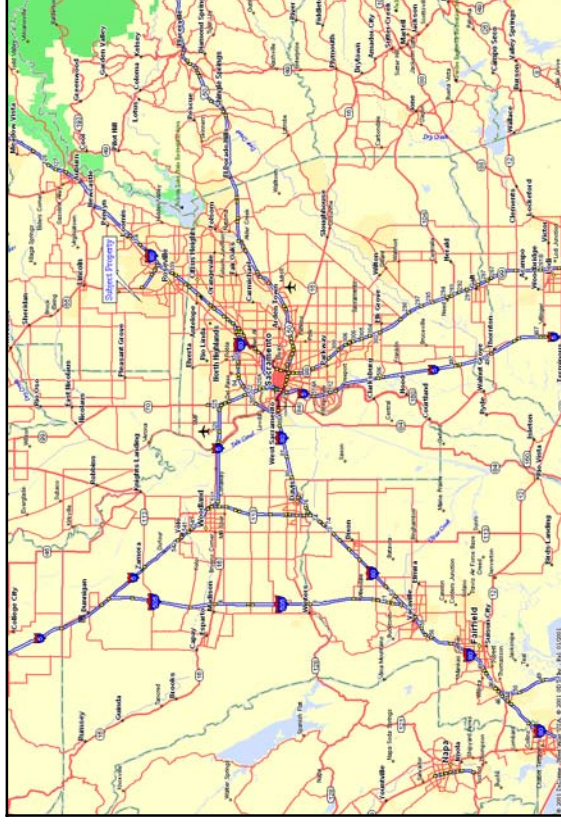
SACRAMENTO METROPOLITAN AREA REGIONAL OVERVIEW

I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial and unbiased professional analyses, opinions and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Uniform Standards of Professional Appraisal Practice.
- I have made an inspection of the property that is the subject of this report.
- The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- I certify that my State of California general real estate appraiser certificate has never been revoked, suspended, cancelled or restricted.
- I have the knowledge and experience to complete this appraisal assignment and have appraised similar properties in the past. Please see the Qualifications of Appraiser portion of the Addendum to this report for additional information.

2024

NELSON M. WONG, APPRAISER
State Certification No.: AG034862 (Expires: August 12, 2006)



Introduction

Traditionally, the Sacramento Area has been defined as the Sacramento-Yolo Consolidated Metropolitan Statistical Area (CMSA), which includes the four counties of Sacramento, Placer, El Dorado and Yolo. In recent years, however, several local research and trade organizations, including the Sacramento Area Commerce and Trade Organization (SACTO), have expanded their definitions of the Sacramento Area to include Yuba and Sutter Counties to the north. For purposes of this analysis, we will follow this recent trend and define the Sacramento Area as the six-county region (Sacramento, Placer, El Dorado, Yolo, Yuba and Sutter).

Located in the north-central part of the state of California, the Sacramento Area has proven to be one of the fastest growing markets among major metropolitan areas in the United States. In order to provide a closer look at the region's progressive growth and its outlook for the next few years, we will present information on geographical, social, demographic, economic, governmental, and environmental influences within the region. In the final section, we will summarize the impact that these forces have on the desirability of the region and local property values.

The six-county region encompasses approximately 6,561 square miles, from the Sacramento River Delta in the west to the Sierra Nevada mountain range in the east. At the center of this region is the County of Sacramento, which encompasses approximately 996 square miles near the middle of the Central Valley. The County's largest city, Sacramento, is the seat of government for the County, as well as the State Capitol of California. Surrounding Sacramento are a number of smaller towns and communities, including college towns, tourist destinations, suburban communities, and agricultural centers. The city of Sacramento is approximately 385 miles north of Los Angeles, 500 miles south of the Oregon border, 85 miles northeast of San Francisco, 105 miles west of South Lake Tahoe, and 135 miles southwest of Reno, Nevada.

Geography & Climate

The geography, climate and seismic conditions in the region play an important role in the quality of life. The topography of the region ranges from relatively flat land along the valley floor, to steep mountain terrain in the eastern portion of the area. Elevations range from 15 feet below sea level near the Sacramento-San Joaquin River Delta, to 10,000 feet above sea level at the summit of the Sierra Nevada Mountains. The American River and the Sacramento River are the two major waterways in the region. The American River flows from the east and travels west along the southern portion of the Sacramento Area and joins the Sacramento River just northwest of Sacramento's Central Business District. The Sacramento River flows from the north and traverses south along the western side of the city of Sacramento.

The region's climate is fairly mild, with moderate rainfall in winter, virtually none in summer, and a relatively comfortable temperature range year-round. However, temperatures can reach above 100° in the summer on the valley floor, and heavy rain and snowfall can occur during winter in the northeastern part of the region in the mountainous areas of Placer and El Dorado counties. The climate of Sacramento is warm and dry in the summer with an average daytime high temperature of 93°F, and a cool 58° at night. During Sacramento's winter, average temperatures range from 37° to 52°. During Sacramento's rainy season, November to April, an accumulation of 16 to 20 inches of rain is normal.

Besides the relatively mild climate, the region is also known for its stable seismic conditions, especially compared to the San Francisco Bay Area and Southern California. Sacramento and adjoining cities rank among the lowest in the state for the probability of a major earthquake. Most of the region is not located within an Alquist-Priolo Earthquake Fault Zone. Yolo County is the only county with land located in an Earthquake Fault Zone, in a small portion of the northwest part of the county known as Jericho Valley. The Dunnigan Hills fault, located 19 miles northwest of the city of Sacramento, is the closest known active fault mapped by the State Division of Mines and Geology. The closest branches of the seismically active San Andreas fault system are the Antioch fault (42 miles southwest) and the Green Valley/Concord fault (45 miles southwest).

Recreation & Culture

The Sacramento Area appeals to a diverse range of interests, offering innumerable recreational and cultural opportunities. The American River Parkway offers 5,000 acres of recreation area along both sides of the river for 30 miles. Some of the destinations along the parkway are Discovery Park, Goethe Park, Nimbus Fish Hatchery, CSUS Aquatic Center, and Folsom Lake State Recreation Area. The parkway includes walking, biking and horseback riding trails, as well as picnic and beach areas. The Sacramento-San Joaquin Delta has over 1,000 miles of waterways. The rivers and lakes within the Sacramento Area offer boating, kayaking, sailing, rafting, and water skiing opportunities. In addition, numerous parks and golf courses are located throughout the region.

Other recreational opportunities are available within a few hours drive of the Sacramento Area. To the west are the San Francisco Bay Area, the Napa Valley wine country, the coastal redwood forest, and the beaches of the Pacific Ocean. To the east are Lake Tahoe and the Sierra Nevada Mountains, which are home to more than 10 snow-skiing resorts. Legalized casino gambling is available in Nevada, as well as several Indian casinos in the Sacramento region.

Cultural attractions in the region include the Old Sacramento Historic District, California State Railroad Museum, Towle Auto Museum, Crocker Art Museum, Historic Governor's Mansion, Sutter's Fort State Historic Park and Sacramento Zoo. Sacramento is also home to the Sacramento Opera Association, Sacramento Ballet, Sacramento Theatre Company, Sacramento Philharmonic Orchestra, and Sacramento Traditional Jazz Society. A recent addition to the cultural landscape is the Robert and Margrit Mondavi Center for the Performing Arts on the campus of the University of California Davis. Annual events in Sacramento include the California State Fair, the Music Circus and the Sacramento Jazz Jubilee.

In terms of sports entertainment, Sacramento has three professional athletic teams and numerous college teams. Sacramento acquired a National Basketball Association (NBA) franchise, the Kings, in 1985. The Kings play their home games in the 17,300-seat ARCO Arena. In 1996, Sacramento was granted a franchise of the Women's National Basketball Association (WNBA). The Sacramento Monarchs began their season in 1997 and also play their home games at ARCO Arena. The region is also home to the Sacramento River Cats, a triple-A minor league baseball team. The Sacramento Area often hosts regional, national and even international sporting events. Sacramento hosted the track and field qualifying trials for the 2000 and 2004 Summer Olympics. Several professional golf tournaments have been hosted at area courses. Sacramento often hosts playoff games for the National Collegiate Athletic Association (NCAA) men's basketball championship tournament.

Population

The Sacramento Area is among the fastest growing metropolitan areas in the United States. The population grew by 20% between 1990 and 2000, and by another 10% between 2000 and 2004. This strong growth is attributed primarily to the in-migration of residents from other California and U.S. urban areas. The following table shows historical population growth in the six-county region.

POPULATION TRENDS

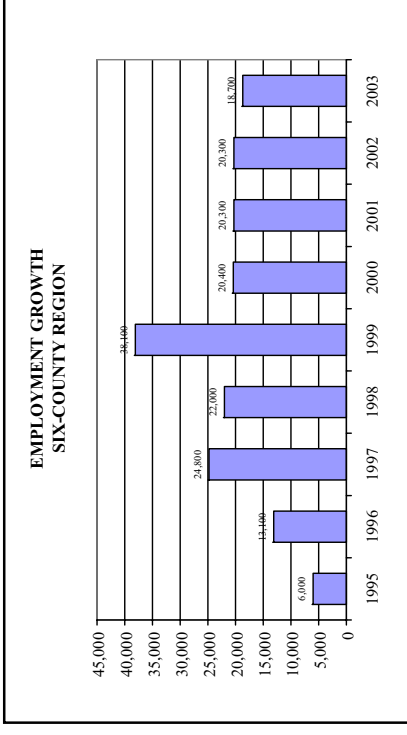
County	2000	2001	2002	2003	2004	Avg. Annual Growth
El Dorado	156,299	159,600	162,800	165,900	168,100	1.9%
Placer	248,399	260,300	272,100	283,500	292,100	4.4%
Sacramento	1,223,499	1,249,200	1,282,600	1,311,700	1,335,400	2.3%
Sutter	78,930	80,200	81,800	83,800	85,500	2.1%
Yolo	168,660	172,500	177,300	181,100	184,500	2.3%
Yuba	60,219	61,300	62,600	63,800	64,800	1.9%
Total	1,936,006	1,983,100	2,039,200	2,089,800	2,130,400	2.5%

Source: California Department of Finance

The population in the region is expected to continue growing. According to the State Department of Finance, the population in the Sacramento Area is projected to increase nearly 40% between 2000 and 2020. The region's growth is expected to outpace the growth of nearly all other metropolitan areas in California, as well as the state as a whole. Most of the population is concentrated in the region's major cities, including Sacramento, Folsom, Roseville, Rocklin, Auburn, Placerville, Woodland, Yuba City and Marysville.

Employment

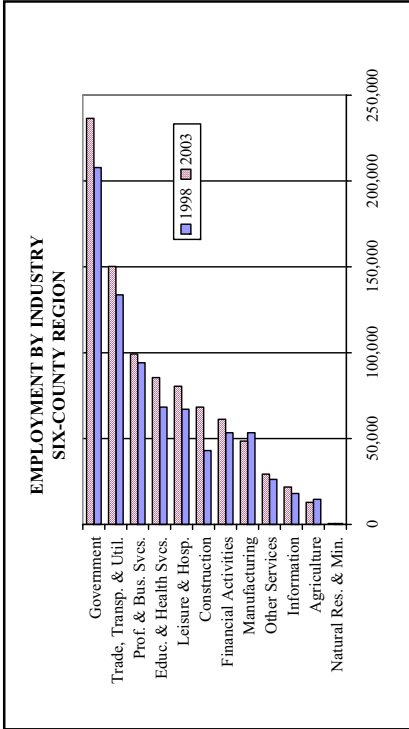
According to the State Employment Development Department (EDD), the Sacramento metropolitan area represents one of the strongest employment centers in California, despite some slowing in the employment growth rate in recent years. During the last four years, a period of statewide and national economic instability, employment in the Sacramento region grew at a steady 18,000 to 20,000 jobs per year, which is about a 2% annual growth rate. The following table exhibits employment growth in the region over the past decade.



Source: Sacramento Area Commerce and Trade Organization (SACTO), Greater Sacramento Area 2004/2005 Economic Profile

During the past several years, the local economy has transitioned from a government and agricultural center to a more diverse economy where the business services and trade sectors comprise nearly half of regional employment. The region is developing a large high technology research and manufacturing base and has become a western hub for data processing, customer call centers and other corporate back office support activities. The government sector's proportion of total employment is getting smaller as the region grows and diversifies.

The following chart compares the region's employment by industry in 1998 and 2003. During this five-year period, the Construction sector experienced the largest percentage increase in jobs (+59%), followed by Educational & Health Services (+25%), Information (+21%), and Leisure & Hospitality (+20%). The only sectors to experience negative job growth were Agriculture (-12%) and Manufacturing (-9%). Overall, the region is continuing to shift from a goods-producing economy to a service-providing economy.



Source: Sacramento Area Commerce and Trade Organization (SACTO),
Greater Sacramento Area 2004/2005 Economic Profile

Government employment, however, is still very significant in the Sacramento region. In fact, government entities (including universities and school districts) account for about 27% of total employment in the region. The State of California, with its main offices situated primarily throughout Downtown Sacramento, is the region's largest employer, with over 70,000 employees. UC Davis ranks second with about 15,000 employees, and Sacramento County is third with approximately 12,000 employees. Overall, government employment in the Sacramento region increased nearly 14% between 1998 and 2003. This growth rate has slowed in the last year or two due to the State budget situation.

The region's largest non-government employers are listed in the following table, in order of number of employees.

TOP 10 PRIVATE EMPLOYERS
FOUR-COUNTY REGION*

Company	Industry	Year Est. in Area	No. of Employees
Raley's Inc.	Retail grocery	1935	7,340
Sutter Health Sacramento	Healthcare	1923	7,314
Kaiser Permanente	Healthcare	1965	7,037
Intel Corp.	Semiconductors	1984	7,000
CHW/Mercy Healthcare Sacramento	Healthcare	1896	6,615
SBC	Telecommunications	1881	5,300
Hewlett-Packard Co.	Computer hardware	1979	4,500
Target Corp.	Retail	N/Av	4,158
Wells Fargo	Financial services	1852	3,145
Wal-Mart Stores Inc.	Retail	1991	2,950

Source: Sacramento Business Journal, Top 25 Book of Lists 2004
* Sacramento, Placer, El Dorado and Yolo Counties

The following table details recent trends in labor force, employment and unemployment rates for the six individual counties and the Sacramento region as a whole.

LABOR FORCE AND EMPLOYMENT TRENDS

Sacramento County	1990	1995	2000	Nov. 2003	Nov. 2004
Labor Force	533,600	538,900	602,900	657,600	661,400
Employment	509,700	502,100	577,400	620,900	628,800
Unemployment Rate	4.5%	6.8%	4.2%	5.6%	4.9%
El Dorado County					
Labor Force	65,200	72,700	77,300	84,100	83,900
Employment	62,400	67,700	74,100	79,800	80,100
Unemployment Rate	4.4%	6.9%	4.1%	5.1%	4.5%
Placer County					
Labor Force	91,500	102,900	125,600	141,900	144,100
Employment	87,700	96,500	121,600	135,300	138,200
Unemployment Rate	4.1%	6.2%	3.1%	4.6%	4.1%
Yolo County					
Labor Force	76,100	87,300	93,100	97,100	101,200
Employment	71,000	81,300	89,100	91,600	96,100
Unemployment Rate	6.7%	6.9%	4.3%	5.6%	5.1%
Yuba County					
Labor Force	22,900	21,200	21,200	22,300	20,900
Employment	20,500	18,000	18,700	19,400	18,400
Unemployment Rate	10.3%	15.0%	11.8%	12.9%	11.9%
Sutter County					
Labor Force	34,200	34,600	36,700	38,800	36,700
Employment	29,500	28,600	31,900	33,400	31,700
Unemployment Rate	13.7%	17.2%	13.1%	13.9%	13.6%
TOTAL REGION					
Labor Force	823,500	857,600	956,800	1,041,800	1,048,200
Employment	780,800	794,200	912,800	980,400	993,300
Unemployment Rate	5.2%	7.4%	4.6%	5.9%	5.2%

Source: State of California Employment Development Department,
Labor Market Information Division

According to the State Employment Development Department (EDD), the unemployment rate in the Sacramento region was 5.2% as of November 2004, which marks a decrease from 5.9% a year ago. This compares to 5.6% for the state of California, and 5.2% for the nation. Most areas within the state and nation, including Sacramento, saw rising unemployment rates in 2001 and 2002, stabilization in 2003, and declines in 2004. Several local forecasting organizations expect full-time hiring to continue to pick up in 2005. It is noted Sutter and Yuba Counties have relatively high unemployment rates, due in large part to a greater dependence on agricultural employment, which tends to be seasonal.

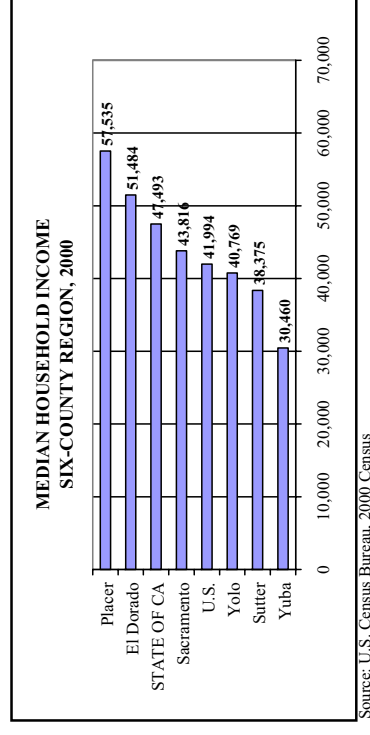
Most local experts and forecasting organizations expect employment growth in the Sacramento Area to improve in 2005. According to a forecast by the California Institute for County Government, a group affiliated with California State University Sacramento, job growth is expected to reach 2% to

3% in the Sacramento Area by the third quarter of 2005. The forecast expects a decline in government hiring, which should be more than offset by growth in private sector hiring.

According to EDD, employment in Sacramento County is projected to grow 19% between 2001 and 2008. The projections for the other counties in the region are as follows: 26% for El Dorado, 37% for Placer, 15% for Yolo, and 13% for Yuba and Sutter. In terms of employment industries, the largest gains are expected to occur in services, trade and government.

Personal Income

The following chart shows median household income by county for the six counties within the Sacramento region, as well as the state and nation, as of the 2000 Census.



As indicated in the chart above, Placer County exhibits the highest personal income in the region. This is attributed in part to the large degree of high-tech employment in the county, and a significant amount of in-migration of high-income households from the Bay Area. Sutter and Yuba Counties have the lowest incomes, due in large part to significant agricultural employment in these areas.

For the past several decades, the Sacramento region has been characterized by steadily increasing personal income levels. The following table depicts recent income trends and projections for the six-county region.

PERSONAL INCOME TRENDS SIX-COUNTY REGION

Income	2000 Census	2003 Estimate	% Chg	2008 Projection	% Chg
Average Household	\$58,376	\$65,451	12.1%	\$75,159	14.8%
Median Household	\$45,714	\$50,010	9.4%	\$57,809	15.6%
Per Capita	\$21,849	\$24,278	11.1%	\$27,668	14.0%

Source: Claritas Inc., Demographic Trend Report

Education & Healthcare

The educational institutions in the region produce a well-educated community and stable work force. The Sacramento region offers a number of alternatives in terms of higher education. The Sacramento County Office of Education operates Regional Occupational Programs (ROP) for high school students and adults that offer a variety of classes and training. Vocational schools in the area offer various technical and business related programs. There are a number of community colleges within the greater Sacramento region. Sierra College is a fully accredited, two-year college with the main campus located in Rocklin. The Los Rios Community College District offers five local campuses: American River, Cosumnes River, Sacramento City, the El Dorado Center, and the Folsom Lake Center. Two large universities, California State University Sacramento (CSUS) and the University of California Davis (UCD), are located in the region and are recognized throughout the nation. Finally, bachelor and graduate degrees are offered through several private schools, such as Chapman University, Golden Gate University, William Jessup University, McGeorge School of Law, University of Southern California, University of Phoenix, and others. At least two additional private universities are planning to open in the Sacramento area in the coming years.

The Sacramento region has become a hub for general and specialized healthcare in Northern California and the Central Valley. There are currently 28 major medical centers within the six-county region, operated by providers such as Kaiser Permanente, UC Davis Health System, Shriners, Mercy/Catholic Healthcare West, and Sutter Health System.

Transportation

A significant strategic advantage of the Sacramento region is its proximity to large markets and its transportation accessibility to these markets provided by extensive highway, rail, water and air transportation systems.

Sacramento's freeway system has over 800 miles of maintained state highways in the region. The hub of freeways in the region makes the Sacramento Area a good center for freight distribution. U.S. Highway 50, Interstate 80, and the Capital City Freeway are the principal routes for commuters living in the densely populated eastern suburbs. Commuters from the north and south of Sacramento

travel on Interstate 5 and Highway 99. Highways 65 and 70 link Yuba and Sutter Counties with the rest of the Sacramento Area. Interstate 5 provides a direct route to Redding, Portland and Seattle to the north and Los Angeles to the south. Interstate 80 permits travel to Reno and Salt Lake City to the east and the San Francisco Bay Area to the west. Lake Tahoe and Nevada are reachable within a couple hours on U.S. Highway 50, which originates in Sacramento. Highway 99 provides access to the San Joaquin and upper Sacramento valleys.

Traffic congestion has intensified throughout the region in recent years along with population growth and the development of new suburban communities. In 2003, many promising transportation projects were on the drawing board; however, most of these projects are now being delayed several months or years because the region has failed to meet Federal clean-air standards that are required for Federal funding. In addition, the State budget has reduced financing for transportation projects. One project that is underway involves improving and reconfiguring the Douglas Boulevard interchange on Interstate 80. Another project in the planning pipeline is the 15-mile Placer Parkway, which would provide a new east-west route between Highway 99/70 in Sutter County and Highway 65 in Roseville. The road would be 250 feet wide and contain either four or six lanes. A bypass of Highway 65 around the city of Lincoln is also being planned.

The major public transit system in the Sacramento Area is operated by Sacramento Regional Transit (RT), with additional service provided by several regional public and private transit companies. Regional Transit covers a 340-square mile service area that is serviced by 240 buses and 65 light rail vehicles, transporting over 27 million passengers annually. Light Rail began operation in 1987 along a two-pronged route linking Downtown Sacramento with populous suburbs to the east and north. In 2003 and 2004, RT completed extensions to the Meadowview area in South Sacramento and Sunrise Boulevard in Rancho Cordova to the east. In September 2004, RT set a new record for combined bus and light rail daily ridership of more than 120,000 passengers. This figure reflects the many new passengers taking advantage of the South Line and Sunrise light rail extensions. RT's combined bus and light rail ridership is up 21% compared to last year. During the next 10 years, RT plans to extend even further, adding new tracks that will reach Folsom to the east, Elk Grove to the south, Natomas and the Sacramento International Airport to the north, and Davis to the west. The Amtrak/Folsom Corridor Project, with extensions to the city of Folsom and the Sacramento Valley Amtrak Station, is expected to begin service in October 2005. This route will add seven new light rail stations and four park-n-ride lots, providing a viable transportation alternative for Highway 50 corridor commuters.

The City of Sacramento is currently considering a transit-oriented village at Highway 50 and 65 Street, near California State University Sacramento. The transit village would incorporate high-density housing above street-level retail adjacent to a light-rail station. A bike path tunnel would connect with the university. Funding is not yet available, but the proposed village is located within a redevelopment zone that is expected to generate funding options for the project. Planners estimate the project would take 20 years to fully build out.

Sacramento has access to a number of railroads. The north-south and east-west main lines of the Union Pacific Railroad intersect in Sacramento and, as a result of the merger of Union Pacific and Southern Pacific in September 1996, Sacramento has access to the Burlington Northern Santa Fe Railway. Union Pacific's major freight classification facility for Northern California, Nevada and Oregon is located in Roseville. A \$140 million upgrade to handle additional traffic volumes was completed over the past few years. Amtrak provides daily passenger service in all directions from Sacramento. The Capital Corridor system provides high-speed commuter rail service from Roseville to San Jose.

Water transport is also available in the region. The Port of Sacramento is a deep-water port located 79 miles northeast of San Francisco, serving ocean-going vessels handling a variety of cargo types. The 30-foot depth of the channel, along with extensive rail and truck cargo handling facilities, make the Port highly productive for long distance shipping. The Port is equipped for handling bulk cargo and a number of agricultural and forest products.

Finally, the region benefits from several air transport facilities. Most notably, Sacramento International Airport is served by 14 carriers – Alaska, Aloha, America West, American, Continental, Delta, Frontier, Hawaiian, Horizon, JetBlue, Mexicana, Northwest, Southwest and United/United Express. In 2004, JetBlue began service out of Sacramento, with direct flights to New York City, Washington D.C. and other destinations. Also in 2004, Sacramento International opened a multi-story, 5,300-stall parking garage. Over 9 million passengers traveled through Sacramento International Airport during fiscal year 2003/2004. Besides the International Airport, the region is also served by several smaller facilities, including Sacramento Executive Airport, Lincoln Regional Airport, Yuba County Airport, Sutter County Airport, and Mather Airport (formerly Mather Air Force Base). In addition to passengers, Sacramento International and Mather Airport process over 250 million pounds of air freight per year.

Public Utilities

Residents and businesses in the region receive natural gas from Pacific Gas & Electric (PG&E), and electric power from Sacramento Municipal Utility District (SMUD), PG&E, Roseville Electric, and Sierra Pacific Power. The passage of Assembly Bill 1890 in September 1996 resulted in open competition in California's electricity generation on March 31, 1998. This bill requires investor-owned utilities, such as PG&E, to allow their customers to choose from which company they want to buy their electricity. Deregulation in the electricity market caused a shake-up throughout the state, with several months of drastic inflation in prices in 2000 and 2001, when a number of power generators controlled the market and charged inflated prices to utility companies such as PG&E. Since that time, prices have stabilized and the situation is no longer considered a crisis.

Environment

As the region expands, various environmental issues, such as water supply and quality, air quality, flood control, endangered habitat/species, and open space preservation, are becoming significant issues. Numerous environmental groups and organizations are constantly addressing these issues as they pertain to the Sacramento region.

The Sacramento Area benefits from abundant water resources. Purveyors draw surface water from the American, Sacramento, and Feather Rivers, and pump groundwater from underground sources in the Sacramento Valley. The Sierra Nevada snowfields, only 70 miles east of Sacramento, normally provide a plentiful water supply during the dry summer months. According to the State Department of Water Resource's California Water Plan, approximately 30% of the Sacramento River Region is irrigated with groundwater.

Water supply and quality issues are among the most important environmental concerns in the area. The significant rate of growth that has occurred over the last decade has notably increased the demand for water, and the delivery of water to southern portions of the state continues to be a hot political and environmental issue. Water years 2001 and 2002 were dry years throughout California, following six years of wet to average conditions. Water year 2003 was dry to average. The outlook for winter 2004-2005 calls for average conditions in the Sacramento region, with an ample supply of water to meet the needs for development. However, the future impact on all users depends on the natural replenishment of the water sources by geological factors, as no new dams are anticipated in the near future.

Air quality continues to be a concern in the Sacramento Valley. This area is designated a severe ozone "non-attainment area" by the U.S. Environment Protection Agency (EPA). This non-attainment area includes all of Sacramento County and parts of El Dorado, Placer, Solano, Sutter and Yolo counties. During the summer, the region fails to meet both the State and Federal health standards for ozone. Because the Sacramento Valley is shaped like a bowl, smog presents a critical problem in the summer, when an inversion layer traps pollutants close to the ground, causing unhealthy air quality levels. Vehicles and other mobile sources cause about 70% of this region's air pollution problem.

In the past decade, air quality has improved in the Sacramento region. Some of the things that have helped air quality are: cleaner cars, smog check requirements, vapor recovery nozzles on gas dispensers, reformed gas, state-wide regulation on the amount of solvents in consumer products, and Federal regulations on solvents contained in painting products. In addition, policymakers have taken steps to improve and expand public transportation systems in the region. In 1988, Sacramento County voters passed Measure A, a one-half cent sales tax increase which provided one-sixth cent to

Regional Transit, and allowed for the purchase of 135 buses fueled with natural gas. The buses emit the lowest level of pollutants of any internal combustion engine bus manufactured in North America, making a major contribution to a reduction in air pollution. In September 2004, the California Air Resources Board approved a landmark regulation that requires automakers to begin selling vehicles with reduced greenhouse gas emissions by model year 2009.

Another environmental concern in the area is flooding. Sacramento's location along two major rivers and several tributaries has resulted in a number of flooding issues. Major floods occurred in multiple areas in 1986 and 1997. The majority of flood problems are concentrated in western Sacramento County and eastern Yolo County, where the American and Sacramento rivers converge. The Sacramento Area Flood Control Agency (SAFCA) was established in 1989 to coordinate a regional effort to finance, implement, and maintain facilities necessary to provide flood protection. Many proposed improvements were approved and funded by the SAFCA Assessment District, established in June 1996. A large portion of these improvements was completed in 1998, which resulted in a new flood designation outside the 100-year flood zone for most areas in northern Sacramento County.

As a result of significant improvements to river and creek levees in recent years, in early 2005 the Federal Emergency Management Agency (FEMA) will revise flood maps to designate the American River floodplain outside the 100-year flood zone. This area includes most of eastern and central Sacramento County. As a result, property owners in these areas will no longer be required to maintain flood insurance. In 2006, another new map may declare neighborhoods in the southern portion of the county out of the 100-year floodplain as well.

Ongoing and future flood control projects include raising Folsom Dam by seven feet; installing new gates on Folsom Dam; constructing a new bridge over the American River just below Folsom Dam; and completing major levee-strengthening work already under way. The remaining work involving Folsom Dam will likely take more than a decade to complete, but when it is completed, Sacramento will have reached SAFCA's goal of 200-year flood protection for the entire region.

With the rapid increase of development in the past few years, there has been growing concern regarding the protection of endangered habitats and species and the conservation of open space. Most development projects in the region, particularly in south Placer County, face opposition from various special interest groups. With regard to endangered habitats and species, development in the region is subject to Federal and State laws concerning this issue. The region contains an extensive list of endangered species and a significant amount of environmentally sensitive land, including vernal pools, wetlands, woodlands, and grasslands, which are primary habitats for various endangered species. The U.S. Fish and Wildlife Service intends to designate 154,000 acres in the four-county Sacramento region as critical habitat for 15 species of plants and animals that live in

seasonal wetlands known as vernal pools. According to Fish and Wildlife, this measure could cost landowners in the Sacramento Area about \$25 million over the next 20 years, primarily in lost land values and consultation and mitigation fees. Local landowners and their representatives believe this cost is likely to be much higher – possibly surpassing \$500 million or even \$1 billion.

Summary

The Sacramento region is an integral part of the state in terms of population, employment, government and economic productivity. The region has established itself as one of the strongest economies in California, and recent data show this trend is continuing. The region offers several geographical, social and economic advantages that have induced businesses and families to relocate to the Sacramento region from other California and U.S. urban areas. In 2003, the Milken Institute, a highly regarded economic research organization, ranked Sacramento 15th out of 296 U.S. metropolitan areas for “best-performing” cities in the nation, based on criteria such as wage and salary growth, job growth and high-tech output growth. In 2004, the business publication *Business 2.0* ranked the Sacramento region 11th out of 61 metropolitan areas most likely to become “boom towns” during the next four years. With the growing recognition of Sacramento's many advantages, investor confidence in the Sacramento Area has grown.

In 2002 and 2003, the Sacramento Area, along with most of the state and nation, experienced a short-term recession. The weakening economy was attributed to several factors, including the energy crisis, the rapid slowdown in the technology sector, the events of September 11, 2001, national and international recessions, and the State budget crisis. During the year 2004, the Sacramento region experienced large gains in the housing market and moderate job growth. Continued improvements in the local economy, particularly in terms of job growth, are anticipated in 2005.

The long-term outlook for the region is very good. Characterized by a mild climate, seismic stability, an adequate water supply, and coupled with relatively affordable housing, ample recreational and cultural opportunities and good transportation systems, Sacramento has secured a locational advantage over similar sized markets. The combination of these resources and advantages provides a productive environment for current and prospective businesses, and a satisfying living environment for residents. These factors will continue to drive the demand for residential and commercial real estate, with stable to rising property values expected for most areas.

SOUTH PLACER COUNTY OVERVIEW

Introduction

South Placer County is the southernmost component of Placer County, commonly referred to as the Valley. The remainder of Placer County is divided into the Gold Country, where parts of Auburn and Colfax are located, and the High Country, which encompasses Tahoe City and Kings Beach along Lake Tahoe. South Placer is comprised of the incorporated cities of Auburn, Colfax, Lincoln, Rocklin, and Roseville; the incorporated town of Loomis; as well as a number of unincorporated communities, such as Granite Bay, Foreshill, Penryn and Newcastle.

South Placer County encompasses approximately 260 square miles, from the Placer County line bordering Sacramento, Sutter and Yuba Counties to the city of Auburn. It lies in the north-central part of California, approximately 420 miles north of Los Angeles, 250 miles south of the Oregon border, 100 miles northeast of San Francisco, 80 miles west of Lake Tahoe, and 100 miles southwest of Reno. In the southern portion of the region is Roseville, the county's largest city, which encompasses approximately 31.6 square miles.

History

The various cities within South Placer County paint a colorful history. Roseville is known for its prominent role in railroad transportation, one that continues to this day. Rocklin's quarries brought economic growth to the city, especially when it provided rock for the reconstruction of damage left by the early 20th century earthquake in San Francisco. Loomis and Newcastle were, and continue to be, major fruit-producing areas. Lincoln's greatest resource was its clay deposits, which led to the establishment of the Gladding McBean clay plant, one of South Placer's oldest enterprises and a major manufacturer of clay sewer pipes, fire brick, roof tile, terra cotta, piazza floor tile, chimney tops and garden pottery. The city of Auburn represents the heart of historical heritage in South Placer, as it played a great role in the California Gold Rush; its historic Old Town district continues to be a large tourist attraction.

Geography, Climate & Seismic Conditions

Placer County marks the beginning of the Sierra Nevada Foothills; the terrain is characterized predominantly by rolling hills in the west and steep mountainous terrain in the east. Elevations range from 165 feet above sea level in Roseville to 10,000 feet above sea level at the summit of the Sierra Nevada Mountains. The American River and the Bear River are the two major waterways in the region. The American River flows from the east and travels west where it meets with Folsom Lake,

before continuing on to merge with the Sacramento River in the city of Sacramento. The Bear River flows along the northern boundary of Placer County, dividing it from Nevada County.

South Placer is developed with a mix of urban and rural uses. The larger cities, namely Roseville and Rocklin, are mostly urban, while the smaller communities, such as Loomis and Newcastle, have remained mostly rural residential. Auburn and Lincoln both exhibit a combination of urban and rural settings. However, in recent years the city of Lincoln has experienced dramatic growth and development, and has become the fastest growing city in California.

The climate of South Placer is warm and dry in the summer months, with an average daytime high temperature of 95 degrees (Fahrenheit), and a cool 58 degrees at night. During South Placer's winters, average temperatures range from 37 to 53 degrees. Due to the snowfall in the Sierra Nevada Mountains, South Placer generally has adequate water during the summer. During the rainy season, November through April, an accumulation of approximately 23 inches of rain is the norm. Besides South Placer's relatively mild climate, it is also known for its stable seismic conditions. Unlike the Bay Area and Los Angeles, South Placer and its component cities rank among the lowest in the state for the probability of a major earthquake.

Population

South Placer County has experienced consistent growth in the last decade. The primary points of origin for immigration to the region are the Bay Area, other parts of the Sacramento region, and Southern California. The state's population data indicate a strong pattern of movement by residents from high-cost, high-density Bay Area counties to inland areas in Northern California.

Following is a table representing the population change in South Placer County and its component cities and towns from 2000 through 2004.

POPULATION TRENDS – PLACER COUNTY

Area	2000	2001	2002	2003	2004	Avg. Annual Growth
Auburn	12,462	12,650	12,650	12,600	12,650	0.4%
Colfax	1,520	1,580	1,720	1,790	1,780	4.3%
Lincoln	11,205	13,700	16,900	19,900	23,050	26.4%
Loomis	6,260	6,350	6,325	6,350	6,225	-0.1%
Rocklin	36,330	39,800	43,300	46,000	48,900	8.6%
Roseville	79,921	83,700	87,900	93,300	96,900	5.3%
Unincorporated	100,701	102,600	103,300	103,500	102,600	0.5%
Total	248,399	260,300	272,100	283,500	292,100	4.4%

Source: California Department of Finance

As indicated in the previous table, Placer County has experienced a strong rate of annual growth of 4.4% over the past four years. Lincoln, with an average annual growth rate of 26.4%, is by far the fastest growing part of the region, followed by Rocklin, Roseville and Colfax. Auburn, Loomis, and the unincorporated communities have had relatively stable populations.

The following table compares population trends in Placer County to its bordering counties.

POPULATION TRENDS – PLACER & BORDERING COUNTIES

County	2000	2001	2002	2003	2004	Avg. Annual Growth
Placer	248,399	260,300	272,100	283,500	292,100	4.4%
El Dorado	156,299	159,600	162,800	165,900	168,100	1.9%
Nevada	92,033	92,300	93,900	95,100	96,100	1.1%
Sacramento	1,223,499	1,249,200	1,282,600	1,311,700	1,335,400	2.3%
Sutter	78,930	80,200	81,800	83,800	85,500	2.1%
Yuba	60,219	61,300	62,600	63,800	64,800	1.9%

Source: California Department of Finance

Over the past four years, Placer County has been the fastest-growing county among its bordering counties, with an average annual growth rate nearly double the next fastest-growing county. It is projected this trend will continue, with the cities of Lincoln, Rocklin and Roseville leading the way.

Employment

The following table shows the largest employers in South Placer County.

TOP 10 EMPLOYERS – SOUTH PLACER COUNTY

Employer	No. of Employees	Type of Business	Main Location
Hewlett-Packard Co.	4,000	Computer hardware	Roseville
Placer County	3,000	Government	Auburn
Kaiser Permanente	1,847	Healthcare	Roseville
Sutter Health	1,319	Healthcare	Roseville
Raley's Inc.	1,135	Retail grocery	Various
City of Roseville	1,132	Government	Roseville
Union Pacific Railroad Co. Inc.	1,062	Freight railroad	Roseville
PRIDE Industries Inc.	1,060	Business services	Roseville
Rocklin Unified School Dist.	848	School district	Rocklin
Roseville Joint Union High School Dist.	842	School district	Roseville

Source: Sacramento Business Journal, March 11, 2005

Transportation

A significant advantage of the South Placer area is its central location with respect to transportation systems. Interstate 80, State Highway 65 and State Highway 193 are the major routes traversing the region. Major urban arterials include Douglas Boulevard, Sierra College Boulevard, Roseville Parkway, Pleasant Grove Boulevard, Sunrise Avenue, Auburn-Folsom Road and Foothills Boulevard.

In addition to roadways within the county limits, South Placer enjoys proximity to many of the Sacramento region's freeways that provide access to the San Francisco Bay Area to the west, Central and Southern California to the south, Northern California and Oregon to the north, and Nevada to the east. South Placer is proximate to Sacramento International Airport, which is situated about 10 miles west of the county border. A smaller private airport, Lincoln Regional Airport, is located in the city of Lincoln. The region has good railroad service, including the transcontinental Union Pacific Railroad and Amtrak. The Capital Corridor system provides high-speed commuter rail service from Roseville to San Jose. Other modes of transportation in and out of South Placer include Greyhound bus lines and numerous trucking lines.

Community Facilities

Education

South Placer County has a growing base of higher-education institutions within the county limits, as well as neighboring counties. Sierra College in Rocklin is a two-year community college offering a wide range of day and evening classes serving over 25,000 students. Heald College, a business and technology vocational school, is located in Roseville, as is an extension campus for Sierra College, located at the old Sutter Hospital on Sunrise Avenue. In 2004, William Jessup University, a private Christian college, moved from San Jose to a new facility in Rocklin. Two additional universities are planned for the South Placer region, near the Sacramento and Sutter County borders – De La Salle University, a private four-year university to be built by the Brothers of Christian Schools on land donated by developer Angelo Tsakopoulos; and a Placer campus for California State University Sacramento (CSUS). The main campus of CSUS is located in Sacramento County, as well as numerous community colleges and vocational schools. Approximately 30 miles west of Placer County is the University of California at Davis.

The public education system in South Placer ranks high in standardized testing among California schools. Roseville students consistently rank in the 70-90th percentiles compared to other schools in the state. Elementary, middle and high schools continue to be built and to grow throughout the region, especially in Roseville, Rocklin and Lincoln, as the population increases. A private college

preparatory high school, Aristos Academy, is proposed on Technology Way in Rocklin.

Health Care

South Placer County has good access to a network of local and regional hospitals, as well as a number of health maintenance organizations. In 1997, the Sutter Roseville Medical Center opened a full service medical facility in Roseville. The Roseville Health and Surgery center is located nearby, providing emergency services and various outpatient services. Kaiser Permanente, also located in Roseville, provides emergency, hospital and outpatient services to plan members. The city of Auburn contains a concentration of health care facilities, including Sutter Auburn Faith Hospital, Sutter Medical Center-Auburn, UC Davis Medical Center, Foundation Medical Clinic and Heritage Medical Center Complex. The city of Lincoln contains two medical office buildings that make up Sutter Medical Plaza – Lincoln. In addition to these health care facilities, South Placer is home to a large number of private physicians, dentists, clinics and other medical specialists. There are a growing number of assisted-living facilities that provide senior care for the aging baby-boom population. Eskaton has proposed an assisted-living facility for seniors on Blue Oaks Boulevard in Roseville.

In response to booming population growth in recent years, many new health care facilities are in the works in the South Placer County area. Kaiser is currently working on a 750,000-square foot expansion at its Roseville site that will house a new women's and children's health center, expanded emergency department, parking garages and other medical buildings. Further, Kaiser has proposed a cancer center near the Galleria Mall in Roseville, and a medical office building in Lincoln. Sutter plans to more than double the size of its Roseville hospital by 2010. UC Davis Health System is planning a new medical campus in Rocklin. Catholic Healthcare West is planning a new medical campus just outside Lincoln, which would include a 200-bed hospital, skilled-nursing facility and medical offices.

Recreation

South Placer County offers a number of recreational facilities ranging from arts and culture to shopping and dining. Within the county lies a portion of the Folsom Lake State Recreation Area, a boating, fishing, and swimming retreat; within a two-hour drive, Lake Tahoe and its recreational amenities are easily accessible.

Because of the county's rich historical heritage, most of the cities in South Placer have museums, where historical remnants can be viewed. Auburn and Roseville both have preserved historic buildings in their Old Town districts. There are a number of events and festivals, such as the Eggplant Festival in Loomis, the Mandarin Festival in Newcastle and the Playfest in Lincoln, which

occur annually in the county. In addition, arts and theater performances are prominent throughout the cities. Events such as the Auburn Art Walk, or Music in the Park, an outdoor music event held throughout the summer, are common recreational activities.

Outdoor parks and golf courses are abundant, as the natural landscaping and climate of South Placer lend themselves well to outdoor recreation. The cities of Roseville and Rocklin in particular have created large parks and athletic facilities. In Roseville, Maidu Park and Mahany Park are most notable, as well as the Roseville Aquatics Center and Sports Complex. Twin Oaks Park and Johnson Springview Park are located in Rocklin. Popular public golf courses in the region include Woodcreek Oaks and Diamond Oaks in Roseville; Turkey Creek and Lincoln Hills in Lincoln; Whitney Oaks in Rocklin; and The Ridge in Auburn. Private golf clubs include Catta Verdera Country Club (formerly Twelve Bridges) in Lincoln, Granite Bay Golf Club in Granite Bay, and Winchester Country Club in Meadow Vista.

The city of Roseville is the South Placer region's hub for fine dining and entertainment. Roseville contains two multi-plex movie theatres on Eureka Road, and a third is proposed at Blue Oaks Boulevard and Highway 65. Several upscale restaurants are situated along Eureka Road, Roseville Parkway and Galleria Boulevard, including Fat's Asia Bistro, PF Changs, Il Fornato, Tahoe Joe's and Carvers Steak House. For shopping enthusiasts, shopping centers are widespread, the largest of which is the Galleria at Roseville, a 1.1 million square foot regional shopping mall that opened in 2000.

New Construction

Auburn

Unlike the other cities in South Placer, Auburn's rate of growth has been relatively slow. Residential development in Auburn has grown slowly, and most new subdivisions are much smaller in scale compared to those seen in Lincoln, Roseville and Rocklin. Some custom lot subdivisions have been developed along Auburn-Folsom Road. Some new office development has occurred in recent years, particularly in the area near the intersection of Bell Road and Professional Drive, just west of Highway 49 in northern Auburn. However, growth overall in the city has been slow over the years and the city is mostly built-out. Any additional expansion will likely occur outside the city boundaries, predominantly in areas west and north of the city center. Some redevelopment of existing properties is also expected to occur.

Granite Bay

One of South Placer's wealthiest communities, Granite Bay, has retained the characteristics of a semi-rural community with minimal commercial development. Residential development in Granite Bay has continued at a slow to moderate pace. Most development in this area consists of custom

homes on acreage lots. Additional residential growth is expected in the coming years, as rural/agricultural properties continue to be converted to custom-lot subdivisions. In terms of commercial development, the Granite Bay Business Park at Douglas and Sierra College Boulevards was developed over the past few years, and consists of several small, high-end office buildings. The Granite Bay Village shopping center at Douglas Boulevard and Auburn-Folsom Road was recently renovated and Ace Hardware and Sacramento Natural Foods have signed on as new tenants. To our knowledge, no new major projects are planned in the community.

Lincoln

Within the last five to ten years, Lincoln has shown explosive growth and surpassed Roseville and Rocklin in terms of growth rates in population and residential development. Lincoln has been the fastest-growing city in California every year since 2001. In the last decade, most of Lincoln's growth occurred in the master-planned communities of Sun City Lincoln Hills (an age-restricted senior community) and Twelve Bridges. Currently, the Lincoln Crossing master-planned community in the southwest portion of the city represents the hub of growth. Lincoln Crossing will add 2,900 new homes to the city at build-out.

The Twelve Bridges master planned community has been developed by Placer Holdings, Inc., and has more than 30,000 mature oak trees, creating a serene community within South Placer County's natural foothill beauty. Anchored by the acclaimed 18-hole Catta Verdera Golf Club, approximately half of the community's 3,000 acres will remain open and natural space. A combination of single and multi-family homes balances retail and neighborhood commercial uses. JTS Communities, Richmond American and Centex Homes acquired the last remaining lots designated for production homes (Village 18), which is positioned along the north end of Twelve Bridges Golf Course and is surrounded by open space and view amenities. The remaining lots available in Twelve Bridges are designated for custom home development. Community services, such as an existing fire station, a medical plaza currently under construction, four schools, a library and more, bring into focus the community's master plan.

In response to the rapidly growing population, several commercial developments are under construction or proposed in southern Lincoln. At the intersection of Sterling Parkway and East Lincoln Parkway, two significant retail/office centers are planned. At the northeast corner of Highway 65 and Sterling Parkway, construction is underway on a 133,000 square foot retail center that will be anchored by a Raley's supermarket. Just south of the Raley's site is another commercial site proposed for a 73,200 square foot center to be known as Lincoln Square. Across Highway 65 from these developments, developer John Saca has obtained approval for a Home Depot along Ferrari Ranch Road. Another recent major commercial development in the area is the Thunder Valley Casino, located about two miles south of Lincoln in an unincorporated area of Placer County. A 412-acre industrial park is planned near the casino.

The Downtown Lincoln area is experiencing several redevelopment projects along the Highway 65/G Street corridor. Lincoln Plaza, a new 3-story retail/office building, is currently under construction at 6th and G Streets.

In addition to residential and commercial development, Lincoln is seeing expansion in public facilities as well. Sierra College and the Western Placer Unified School District are considering a shared campus within the Twelve Bridges development. Just south of Lincoln Crossing is land owned by developer Angelo Tsakopoulos, who is negotiating to sell or donate land for a Catholic Healthcare West (Mercy) hospital. In addition, the City of Lincoln is developing its own business park adjacent to the city airport, creating yet another sign that the region's path of mainstream development has reached the city.

Loomis

Like Granite Bay, the town of Loomis has remained mostly rural residential in nature and growth has been very slow. Town officials seek to retain rural traits by closely monitoring developers' interest in the community. Most land in Loomis is zoned for minimum lot sizes of 2.3 to 4.6 acres, which prevents production builders from entering the area. Some new subdivisions have been developed in recent years, including Sterling Pointe and Clos Du Lac. Most new projects consist of custom estate lots. Currently there is one active subdivision in Loomis, Hunter Oaks by R.A.H. Development. This project offers 37 total lots, with a typical lot size of 6,500 square feet.

Rocklin

Rocklin, like Roseville, has seen tremendous residential and commercial growth during the past decade. Stanford Ranch was one of the city's first and largest master-planned communities, and contains most of the city's residential development. Stanford Ranch is also home to Twin Oaks Park, Rocklin High School and several neighborhood retail centers. At the intersection of Park Drive and Stanford Ranch Road are two neighborhood shopping centers. One is Stanford Ranch Plaza, anchored by an Albertson's grocery store, and the other is The Shops at Stanford Ranch, anchored by Longs Drugs. Rock Creek Plaza, a Safeway anchored center, and a California Family Fitness anchored center were completed in 2002-2003 at the intersection of Park Drive and Sunset Boulevard.

Another area seeing new development in Rocklin is the Granite Drive corridor, adjacent to Interstate 80. Granite Creek Business Park on Granite Drive near Sierra College Boulevard is a 22.5-acre center that began development in late 2001 and will contain 200,000 square feet of concrete tilt-up office/tech buildings at build-out. A retail strip center was completed in 2004 at the northeast corner of Granite Drive and Sierra Meadows Drive. At the northwest corner of Granite Drive and Rocklin Road, a two-story office/medical/retail building was erected in 2004-2005. The Niello Porsche auto dealership is currently under construction and should be completed by spring or summer of 2005.

One of Rocklin's main industrial/business park areas is the Atherton Center, located near Highway 65 and Sunset Boulevard. The Rocklin Corporate Center is being developed on 125 acres adjacent to the Atherton Center. A group of developers has plans for 27 acres that include commercial and office space. The property owner is retaining 98 acres to build a 680,000 square foot business park. Nearby, Oracle Corp. has completed construction of the second of four office buildings at its Rocklin campus.

In May 2003, the city of Rocklin annexed the 1,871-acre North West Rocklin General Development Plan, which extends to the border of Lincoln to the north. This move cleared the way for developers to go forward with a 1,296-acre planned residential community (formerly called Sunset Ranchos, now referred to as Whitney Ranch), as well as about 260 acres of undeveloped commercial land planned for retail and office space in the area. Construction of residential lots has begun, and model homes should open in mid-2005. The new community will add about 4,000 homes and apartment units, and a new high school is nearing completion. Also within the annexed land area is a 156-acre parcel that was formerly improved with a Herman Miller Corp. plant, which has since been converted to a private Christian college, William Jessup University. Just west of that, at Sunset Boulevard and Highway 65, developers have proposed a regional factory outlet mall. Whitney Ranch will be one of Rocklin's last master-planned communities as the city nears build-out.

A couple of sizable vacant buildings in Rocklin now have new tenants. The former Wal-Mart store on Five Star Boulevard, south of Stanford Ranch Road, has been remodeled and leased to four new home furnishings-related tenants – American Furniture, Bellach's, RoomSource and Your Home Resort. On Sunset Boulevard, United Natural Foods, Inc. purchased the former Ace Hardware distribution center. UNFI is the largest publicly-traded wholesale distributor to the natural and organic foods industry, and will employ about 500 people at the Rocklin facility.

Construction is scheduled to begin in mid-2005 on the Blue Oaks Town Center at Highway 65 and Blue Oaks Boulevard. This 165,000 square foot center will be anchored by RC Willey, a home furnishings and electronics store, and should open in 2006. This will be RC Willey's first California store.

Roseville

The largest city in South Placer, Roseville has experienced tremendous growth in all segments of real estate and has achieved a good balance between residential, commercial and industrial development. Like Rocklin and Lincoln, residential development in Roseville has been among the strongest in the greater Sacramento region. Within the last decade, the communities of Woodcreek Oaks and Highland Reserve have been developed in west Roseville, and the Crocker Ranch and Diamond Creek areas are continuing to be built-out. In east Roseville, the newest master-planned

community is Stoneridge, which offers some of the largest and most expensive homes in the city.

The city of Roseville is increasingly becoming a hub for office development in the region. New office development has been concentrated along the Douglas Boulevard and Highway 65 corridors. The Stone Point office complex will add 1.8 million square feet of office space on Eureka Road. Just west of the Galleria, Shea Properties is constructing an upscale, 600,000 square foot office park on approximately 37 acres of land along Gibson Drive.

In terms of retail development, the opening of the Galleria, a 1.1 million square foot regional mall, in 2000 has added to the area's growth by creating approximately 2,500 new jobs. Additionally, Creekside Town Center, across Galleria Boulevard from the mall, has added thousands of square feet in retail space, both big-box and in-line space. Other recent projects include the Renaissance Creek center on Sierra College Boulevard and Highland Crossing on Pleasant Grove Boulevard. Another area of major new retail development is Fairway Drive, between Stanford Ranch Road and Blue Oaks Boulevard. This corridor has been developed over the last couple years with Lowe's, The Home Depot, Kohl's, Sport Chalet, WinCo Foods, Target Greatland, Costco, Staples, Toys R Us, Cost Plus, Ross, and Linens 'n Things. Directly across Highway 65 at Pleasant Grove Boulevard, are a new Wal-Mart and Sam's Club.

The Morgan Creek master planned community is located just outside the city limits of Roseville. At the center of the community is a 184-acre, 18-hole championship golf course, measuring 7,143 yards. At build-out, the community will consist of 449 detached, single-family residences with a recreational center, open-space pedestrian trails, parks, nature preserves and multiple lakes, along with the golf course. The overall project is separated into five villages, with William Lyon Homes, JMC Homes and Lakemont Homes, constructing detached, single-family residences targeted towards upper-income homebuyers. In addition, Village 3, comprised of 78 lots with a minimum lot size of 20,000 square feet, is designated for various developers and individuals seeking to construct custom residences. This master planned community has minimum lot sizes from 5,000 to 20,000 square feet, with a number of lots that are significantly larger and have premiums relating to positioning contiguous to the golf course, views, and desirable locations such as cul-de-sacs and corners.

In August 2004, the city of Roseville annexed 3,162 acres west of the city limits comprising the Westpark and Fiddymont Ranch master planned communities, which will create room for another 8,430 homes and apartment units, as well as industrial projects, and vast areas of open space. Development on this project, referred to as the West Roseville Specific Plan, is expected to commence within the next two years and should serve as competition for the Placer Vineyards Specific Plan (discussed below). The area is expected to accommodate about 21,000 residents. One of the most prominent planned projects for the area is for a 600-acre development to house a private university near Baseline Road. The push westward has been boosted by an emerging plan to build a four to six-lane expressway, referred to as Placer Parkway, from Roseville to Highway 99.

Another planned development within Roseville is the South Placer Justice Center and Courthouse. This project will be constructed on 55 acres in north Roseville, just west of Highway 65 between Sunset and Blue Oaks Boulevards. The project's first phase will feature a courthouse with nine courtrooms and an office building that will be privately owned, but will provide leased space for Placer County. Other justice center buildings will be constructed over the next 20 years as they are needed and funding becomes available. When completed, the center will house most of the County's criminal justice operations in South Placer. It will include a Sheriff's Department substation, an adult detention facility, a public safety office building for the District Attorney and Probation departments and a building for ancillary uses.

Plans have also been announced for a 35,000 square foot conference center, an Embassy Suites Hotel and another hotel yet to be named in a public/private partnership deal between the City of Roseville and Kobra Properties Inc. The project is located just north of the Galleria at Roseville mall. The conference center would be the second largest in the region, after the Sacramento Convention Center.

Placer Vineyards (Unincorporated Area)

In the southwestern corner of Placer County is the Placer Vineyards Specific Plan Area. This area is bounded by the Sutter County Line on the west, Baseline Road on north, the Sacramento County Line on the south, and Walerga Road on the east. This area encompasses 5,158 acres of land area that will be developed with a mix of residential, commercial and community uses, as well as open space. More than 14,000 homes are proposed for the area, with construction estimated to begin in 2006. The project also includes plans for a 100-acre town center with public services and retail facilities, plus an additional 88 acres for retail development and 257 acres for office and industrial development.

Bickford Ranch (Unincorporated Area)

For the past decade, Lennar Corporation has been working toward approval for this project, which would add nearly 5,000 residents in the hills between Penryn and Lincoln. The development plan calls for 1,890 homes, a private golf course, public parks, a commercial center and 720 acres of open space. The project was originally approved in 2001 but had to be reconsidered by supervisors because a judge ruled in early 2004 that the planning document was too difficult to interpret. In October 2004, the Placer County Board of Supervisors approved the Bickford Ranch development, and the developer began grading the site. However, in November 2004 development was halted when a state appeals court granted a stay of construction requested by environmental groups opposed to the project. In early 2005, a Placer County judge dissolved the court order, allowing site work to resume. Lennar maintains that the first homes could come online as early as 2006. The Bickford Ranch master planned community recently transferred in bulk from Lennar Corporation to another large land development company; however, the details relating to this transaction are confidential.

Summary

South Placer County is a diverse area, with large growing cities, small towns and rural areas, and an abundance of open space. The cities of Roseville, Rocklin and Lincoln are experiencing rapid growth in population and residential and commercial development. With an infrastructure well planned for growth, this emerging market continues to attract the attention of new employers and residents. Placer County is the most affluent in the greater Sacramento region in terms of typical household income levels. The area has a number of positive attributes, including seismic stability, a well-educated and growing work force, good transportation systems, affordability and availability of housing relative to the Bay Area, and an excellent level of community services.

NEIGHBORHOOD OVERVIEW



Introduction

This section of the report provides an analysis of the observable data that indicate patterns of growth, structure and/or change that may enhance or detract from property values. For the purpose of this analysis, a neighborhood is defined as “a group of complementary land uses; a congruous grouping of inhabitants, buildings, or business enterprises.”³

Neighborhood Boundaries

The boundaries of a neighborhood identify the physical area that influences the value of the subject property. These boundaries may coincide with observable changes in prevailing land use or occupant characteristics. Physical features such as the type of development, street patterns, terrain, vegetation and parcel size tend to identify neighborhoods. Roadways, waterways and changing elevations can also create neighborhood boundaries.

The subject property is located in the southwest portion of Placer County, in the city of Roseville, approximately 15 miles northeast of the Central Business District of Sacramento. The subject’s

³ The Dictionary of Real Estate Appraisal, 4th ed. (Chicago: Appraisal Institute, 2002), 160.

neighborhood is generally bound by the Roseville city limits to the north, Baseline Road to the south, State Highway 65 and Interstate 80 to the east, and Watt Avenue to the west.

Demographics

The subject neighborhood includes extensive single-family residential development, with some multifamily projects and limited supporting commercial development. The population in the 95747 zip code is approximately 25,316 persons. The population of the entire City of Roseville is about 85,000 persons. The median age of neighborhood residents is about 33 years. Approximately half of the neighborhood’s households are comprised of married couples, and two-thirds of the households contain children. The median income within the neighborhood, which includes all areas in the 95747 zip code, is just over \$63,300, which is above the national median income of about \$39,700.

Roseville has one of the highest median household incomes in the Sacramento Metropolitan area. In the past, the proximity of Roseville to Sacramento and convenient highway transportation routes made this area a popular bedroom community. However, recent expansion by electronic and other manufacturing firms along State Highway 65 has created a more localized economic base for the Roseville community.

Transportation

There are several major thoroughfares in the subject’s neighborhood, making it a central location with convenient access to many neighboring communities. The primary north-south traffic corridors within the immediate vicinity of the subject are Foothills Boulevard/Roseville Road, Woodcreek Oaks Boulevard and Washington Boulevard. The primary east-west connectors are Vineyard Road, Kirby Way, Baseline Road/Main Street, Junction Boulevard, Pleasant Grove Boulevard and Blue Oaks Boulevard. The road systems provide adequate access to all areas within west Roseville, as well as other nearby neighborhoods and freeways.

Access to the subject neighborhood from the primary highway system serving the Sacramento Metropolitan Area is adequate. The subject property and adjoining residential and commercial facilities are accessible to Interstate 80 via Riverside Avenue, Douglas Boulevard, Atlantic Street and Watt Avenue. This freeway is one of two major east-west routes through Sacramento, providing access to the San Francisco Bay Area to the west and various Sierra Nevada mountain communities to the east. The subject also has convenient access to State Highway 65 via Interstate 80, Pleasant Grove Boulevard and Blue Oaks Boulevard. State Highway 65 is a north-south route linking Roseville to Rocklin, Lincoln, Marysville and Yuba City to the north.

The subject neighborhood also benefits from good access to rail transportation systems. The Union Pacific Railroad runs through Roseville in a generally east-west direction parallel to Interstate 80. In addition, a north-south track runs parallel to Washington Boulevard east of the subject property.

Land Uses

Land uses within the subject's neighborhood are predominantly residential, with some light industrial, office and retail development located along the main arterials. To the west of the subject property is Sun City Roseville, a Del Webb age-restricted master planned golf course community consisting of over 1,600 single-family homes for buyers aged 55 and older. Additionally, the Crocker Ranch residential development is located at Blue Oaks Boulevard and Fiddymen Road. Several light industrial and office/tech buildings are located near the intersection of Foothills Boulevard/Roseville Road and Kirby Way. Further south, industrial buildings are found along Roseville Road in the Antelope area. At Foothills Boulevard and Blue Oaks Boulevard there are several larger office projects, including regional headquarters for NEC and Hewlett-Packard, and other business parks. Other office and light industrial projects are concentrated in portions of east Roseville and Rocklin.

Retail development in the subject's neighborhood consists of several neighborhood shopping centers positioned along Foothills Boulevard at Baseline Road/Main Street, Junction Boulevard and Pleasant Grove Boulevard. At Foothills and Baseline is The Brickyard shopping center, anchored by Bel Air and Rite Aid. At Foothills and Junction is the Foothill Junction shopping center, anchored by Albertson's and Longs Drugs, and another shopping center anchored by Ralph's grocery store. Further north, at Foothills and Pleasant Grove, is the Woodcreek Plaza center, which has two strip retail buildings and two office buildings. Woodcreek Village, an 80,000-square foot shopping center anchored by Ralph's, is located at the intersection of Woodcreek Oaks Boulevard and Pleasant Grove Boulevard.

Development of commercial projects in Roseville has intensified as new homes have been built and since the opening of the Galleria at Roseville regional mall, the first regional mall built in the Sacramento area in the last 25 years. Additional, large-scale retail projects have been developed or are in the process of being developed adjacent to the Galleria, including the Creekside Town Center, Tuscany Village, Fountains and The Ridge shopping centers. This area is approximately three to four miles east of the subject.

Residential areas within the neighborhood should continue the growth patterns that have been established over the past few years. New homes have been developed in master planned neighborhoods in Woodcreek Oaks, Silverado Oaks, Highland Reserve and Crocker Ranch.

Community Uses

The subject neighborhood is served by several community uses typical of a suburban residential area, including schools, parks, churches, libraries, hospitals and open space. Neighborhood parks include Weber, Wanish, Silverado Oaks and Buljian Parks. Mahany Park, a regional park at the southwest quadrant of Woodcreek Oaks Boulevard and Pleasant Grove Boulevard, offers a softball

complex and the neighboring Roseville Aquatics Complex and Roseville Sports Center. There are several golf courses in the neighborhood, including the public Woodcreek Oaks Golf Club and Diamond Oaks Municipal Golf Course, as well as the private Sierra View Country Club and 27 holes in the Sun City Roseville development.

A fire station is located on the north line of Junction Boulevard, just west of Foothills Boulevard. Woodcreek High School is located on the west line of Woodcreek Oaks Boulevard, south of Pleasant Grove Boulevard. The Placer County Fairgrounds is located at the intersection of Junction Boulevard and Washington Boulevard. There are two main hospitals in Roseville, both of which are located just south of Interstate 80 – Kaiser Permanente, located at the northeast corner of Rocky Ridge Drive and Douglas Boulevard, and Sutter Roseville Medical Center on Roseville Parkway.

The West Roseville Specific Plan was adopted in August 2004 by the City of Roseville and is projected for the development of 3,162± acres located west of Fiddymen Road. The West Roseville Specific Plan is devoted primarily to residential uses, with a supporting mix of commercial, public and recreational uses similar to that found in adjacent portions of Roseville. At the time of approval, the West Roseville Specific Plan was primarily undeveloped, with previous uses consisting primarily of agriculture enterprises. However, the area will be transitioned into residential, commercial and industrial area as approved under the guidelines of the Specific Plan.

The two developments comprising the West Roseville Specific Plan Area consist of Westpark and Fiddymen Ranch.

Westpark Master Planned Community

Owned by PL Roseville, LLC, the Westpark master planned community will include the development of the following components: 3,522 single-family residential lots (including 703 age-restricted and 85 affordable housing units), a multifamily residential component encompassing 697 developable units (including 341 affordable housing units), three commercial sites containing a combined 18.4 acres, a business professional (office) site measuring 10.5 acres, three industrial sites totaling 108.5 acres, three schools (elementary, middle and high school), a church and numerous neighborhood parks, as well as open space. The centerpiece of the Westpark master planned community is the Village Center, which is planned to accommodate a broad mix and configuration of uses that form the commercial, service, social and activity focus for the West Roseville Specific Plan. There are various land uses incorporated into the Village Center area, including medium and high-density residential, community commercial, parks and recreation and public/quasi-public uses.

Fiddymment Ranch

The Fiddymment Ranch master planned community is owned by Signature Properties. The development encompasses 1,678± acres of land and, at completion, will include 3,165 single-family residences, 1,005 multifamily units, 30.1 acres of retail development, an office site containing 9.1 acres of land area, two schools, a fire station and several parks and open space areas. The project will be developed in three phases. Several of the villages within Phase I are currently under contract to various merchant builders, including Shea Homes, KB Homes, Meritage Homes and Christopherson Homes. Two regional parks are located within the Fiddymment Ranch development and are identified as Fiddymment Park and Regional Sports Park. Fiddymment Park (Parcel F-54) encompasses 91± acres of land area located west of Fiddymment Road and south of Blue Oaks Boulevard. As proposed, this park will include bike and pedestrian paths, activity greens, a frisbee (disc) golf course, and a multi-purpose center. The Regional Sports Park (Parcels F-55 and F-56) is a proposed 75.6 acre city-wide park that is proposed as a regional facility for tournaments and local league events. Proposed improvements include lighted soccer fields, swimming pool, tennis courts, softball diamonds, picnic areas, and pathways.

Conclusion

In conclusion, the subject is located in a growing suburban area that should continue to experience good demand for all types of properties. Most commercial properties are operating at stabilized occupancy and are receiving economically viable rents. Given the continued improving market conditions in the residential sector of Sacramento, the subject property seems poised to benefit from the demand of new homebuyers seeking attractive communities located proximate to local employment centers, as well as the Sacramento Central Business District. In general, it appears that the subject property is currently in a good competitive position for the years ahead.

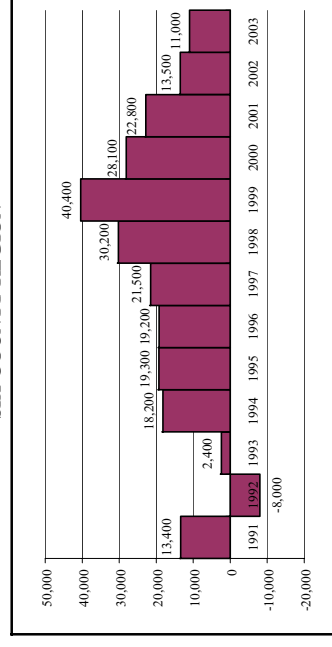
SACRAMENTO METROPOLITAN AREA HOUSING MARKET OVERVIEW

The regional area housing information is an important part of the appraisal report because it provides a macro observation of the community and forms the basis upon which judgments are made. The characteristics of the region's residential real estate market influence the economic viability of the area, including the subject property. In order to familiarize the reader with the specifics of the Sacramento area new home market, some general information regarding supply and demand and current trends in the overall market will be discussed. Unless otherwise noted, within this section of the report the Sacramento Region refers to the six counties of Sacramento, El Dorado, Placer, Yolo, Yuba and Sutter.

Employment & Economy

During the latter part of the 1980s, the Sacramento Region was creating almost 28,000 new jobs per year, which stimulated the boom in housing demand during that period. Following the onset of the recession in 1990, employment growth turned negative in 1992, with corresponding declines in new home and resale home values. The region began a slow climb back to producing positive employment gains in 1993, which greatly contributed to the increase in housing demand during the latter part of the 1990s. The following chart illustrates total non-farm employment growth in the Sacramento Region from 1991 through 2003.

**EMPLOYMENT GROWTH (NON-FARM)
SIX-COUNTY REGION**



Source: The Gregory Group

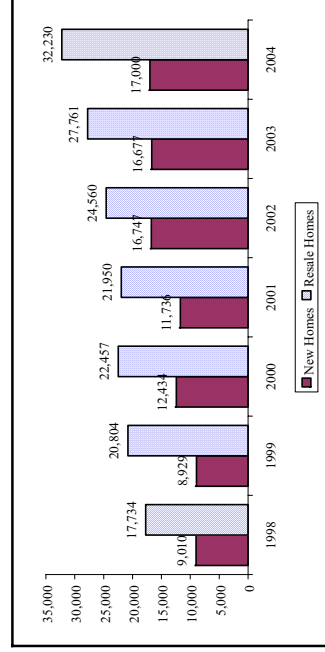
Since peaking in 1999, job growth in the region has gradually decreased each year. Some local analysts, economists and industry experts have cited concerns about the slowdown in job growth and its ultimate impact on the housing market. However, job growth has remained positive and the housing market has continued to show solid growth over the past few years.

Based on information provided by The Gregory Group, a local enterprise tracking the regional housing market, and the California Employment Development Department (EDD), between March 2004 and March 2005, the total number of non-farm jobs in the Sacramento Region increased by 20,700 jobs, or by 2.4%. Currently the region's non-farm employment is 901,400. The Construction industry recorded an increase of 4,200 jobs (+6.2%); the Services industry grew by 11,800 jobs (+2.4%); and the Manufacturing industry grew by 3,200 jobs (+6.7%). The Government industry posted a loss of 600 (-0.3%) jobs over the past year. The unemployment rate in the Sacramento MSA was 4.4% as of March 2005 according to EDD, which is down significantly from the year-ago estimate of 6.6%.

In 2005, most experts predict moderate job growth of about 1% in the Sacramento Region. Further, the long-term outlook for employment in the region is good. According to EDD, employment in Sacramento County is projected to grow 19% between 2001 and 2008. The projections for the other counties in the region are as follows: 26% for El Dorado, 37% for Placer, 15% for Yolo, and 13% for Yuba and Sutter. In terms of employment industries, the largest gains are expected to occur in Services, Trade and Government.

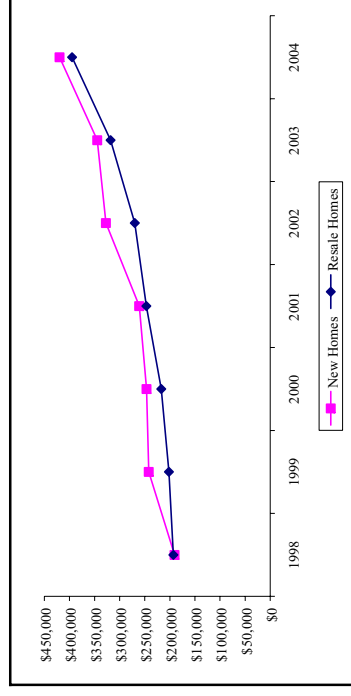
Historical Trends

The following chart exhibits the number of home sales in the Sacramento Region, both resale and new, between 1998 and 2004.



Source: Meyers Group; Lyon Real Estate

The following chart exhibits average home prices in the Sacramento Region, both resale and new, between 1998 and 2004.



Source: Meyers Group; Lyon Real Estate

Housing Permits

An operative measure of the condition of the region's housing market is the number of housing permits issued over time. New residential permit activity has steadily increased in the Sacramento Region since 1995. For the year 2002, a total of 23,177 single- and multifamily permits were issued, which represented a gain of 22.8% over 2001. In 2003, 24,419 permits were issued during the year, reflecting an increase of 5.4% over 2002. In 2004, a slight increase was seen when 24,840 permits were issued during the year. Should current trends continue, it is estimated a total of 21,028 permits will be issued during 2005. This would represent a decrease of 15.4% from 2004.

A total of 5,257 building permits were issued during First Quarter 2005 in the Sacramento Region, which represents a 15.6% decrease from a year ago, when 6,230 permits were issued. Of the 5,257 total permits, 4,501 were single-family and 756 were multifamily. Compared to one year ago, the single-family segment showed a decrease of 16.7%, and the number of multifamily permits declined by 8.8%.

The following table reflects new permit activity for the Sacramento Region since 1990.

BUILDING PERMIT ACTIVITY SIX-COUNTY REGION

Year	Single-family	Multifamily	Total
1990	14,551	2,613	17,164
1991	8,467	2,231	10,698
1992	8,781	1,251	10,032
1993	8,823	742	9,565
1994	9,233	721	9,233
1995	7,951	645	9,954
1996	8,470	881	8,538
1997	8,898	1,270	9,351
1998	11,035	3,659	11,535
1999	11,212	2,729	14,694
2000	13,744	3,481	14,876
2001	15,256	3,615	18,871
2002	18,665	4,512	23,177
2003	19,606	4,823	24,429
2004	21,339	3,501	24,840
2005 proj.	18,004	3,024	21,028

Source: The Gregory Group

E/P Ratio Trends

Another viable measure of the new housing market strength is the E/P ratio. This ratio is a statistic that measures the new employment growth (non-farm) versus the new residential permits issued in the corresponding year. The benchmark balance recognized by the industry is that for every 1.2 new jobs created, there is normally a need or demand for one new housing unit (whether single-family or multifamily). Concerning the single-family side of the formula, whenever the E/P ratio for this type of unit alone is 1.5 or higher, then the marketplace is considered to be in a very favorable and strong demand condition.

The following table illustrates E/P ratio trends in the Sacramento Region since 1991.

E/P RATIO – SIX-COUNTY REGION

Year	Employment Gains (Non-farm)	Total Permits	E/P Ratio	Single-family Permits	E/P Ratio
1991	13,400	10,698	1.25	8,467	1.58
1992	-8,000	10,032	-0.80	8,781	-0.91
1993	2,400	9,565	0.25	8,823	0.27
1994	18,200	9,233	1.97	9,233	1.97
1995	19,300	9,954	1.94	7,951	2.43
1996	19,200	8,538	2.25	8,470	2.27
1997	21,500	9,351	2.30	8,898	2.42
1998	30,200	11,535	2.62	11,035	2.74
1999	40,400	14,694	2.75	11,212	3.60
2000	28,100	14,876	1.89	13,744	2.04
2001	22,800	18,871	1.21	15,256	1.49
2002	13,500	23,177	0.58	18,665	0.72
2003	11,000	24,419	0.45	19,631	0.56
2004	2,400	24,840	0.10	21,339	0.11
1 st Qtr. 2005	10,300	5,257	1.96	4,501	2.29

Source: The Gregory Group

The table above illustrates that job growth was particularly strong relative to building permits between 1994 and 2001. The E/P ratio declined steadily between 2001 and 2004; however, market evidence suggests there is still significant pent-up demand for housing from the high job growth in previous years. Despite rises in building permits issued, recent construction has not been keeping up with the growing demand for residential units created from employment growth in the Sacramento Metropolitan area. It appears the market has been attempting to meet the demand for new housing in the region. However, it will take several more years of below 1.2 ratios to balance the undersupply of new homes in this region.

Population Trends

Another significant factor with direct influence on the region's housing market is population. Since the mid-1980s, the Sacramento Region has been significantly impacted by migration from the San Francisco Bay Area and Southern California urban centers, as well as areas outside the state of California. Reportedly, 21% of new homebuyers in the Sacramento Region are from the Bay Area, with another 9% coming from other California cities. In contrast to the Los Angeles and San Francisco regions, most new Sacramento area residents come from within California seeking job opportunities, lower costs of housing and a less congested living environment.

The following table illustrates the total population of the Sacramento Region from 1990 through 2020 (projected), with corresponding growth for the periods noted. During the 1990-2003 period, the

population in Placer County grew by 59%, El Dorado by 32%, Yolo by 28%, and Sacramento by 26%. The four-county region experienced a 30% increase in population over this period.

POPULATION TRENDS

Year	El Dorado County	Placer County	Sacramento County	Yolo County	Sacramento-Yolo CMSA	Population Growth
1990	126,000	172,800	1,041,200	141,200	1,481,200	N/A
1991	130,200	179,200	1,063,400	143,800	1,516,600	2.4%
1992	134,900	187,200	1,088,400	147,200	1,557,700	2.7%
1993	138,800	194,000	1,103,800	149,000	1,585,600	1.8%
1994	141,800	200,000	1,113,800	150,400	1,606,000	1.3%
1995	143,900	207,200	1,118,600	152,900	1,622,600	1.0%
1996	145,900	215,000	1,127,700	155,700	1,644,300	1.3%
1997	148,400	222,300	1,141,900	158,300	1,670,900	1.6%
1998	150,900	229,700	1,157,400	160,700	1,698,700	1.7%
1999	153,200	238,300	1,185,100	163,500	1,740,100	2.4%
2000	156,299	248,399	1,223,499	168,660	1,796,897	3.3%
2001	159,600	260,300	1,249,200	172,500	1,841,600	2.5%
2002	162,800	272,100	1,282,600	177,300	1,894,800	2.9%
2003	165,900	283,500	1,311,700	181,100	1,942,200	2.5%
2004	168,100	292,100	1,335,400	184,500	1,980,100	2.0%
2010*	212,000	339,300	1,486,500	205,000	2,242,800	13.3%
2015*	232,900	373,400	1,591,100	219,500	2,416,900	7.8%
2020*	252,900	406,900	1,707,600	236,400	2,603,800	7.7%

*Projected

Source: California Department of Finance

New Home Sales

A total of 4,812 new homes were sold during First Quarter 2005 in the six-county Sacramento Region. This represents a 7.1% decrease compared to a year ago, when 5,178 units sold during First Quarter 2004. Pricing has increased from an average sale price of \$403,927 in First Quarter 2004 to \$486,264 in First Quarter 2005, an increase of 20.4%.

The Elk Grove/Laguna area combined accounted for 22.2% of the market, while the tri-city South Placer County area (Rocklin, Roseville and Lincoln) captured 16.9% of the market. The up-and-coming Yuba/Sutter area captured 16.5% of the regional market share during First Quarter 2005. This area is poised for explosive growth, with over 15,000 residential units currently planned. Other future developing areas include Anatolia in the city of Rancho Cordova and Sunset Ranchos in South Placer County.

New home sales activity comparisons from First Quarter 2004 to First Quarter 2005 for the six counties are detailed in the following table.

NEW HOME SALES

County	1 st Qtr. 2004	1 st Qtr. 2005	% Change
Sacramento	2,914	2,660	-8.7%
El Dorado	353	235	-33.4%
Placer	1,032	838	-18.8%
Yolo	343	287	-16.3%
Yuba	360	497	+38.1%
Sutter	176	295	+67.6%
6-County Region	5,178	4,812	-7.1%

Source: The Gregory Group

The table above indicates new home sales throughout the Sacramento Region are mixed; areas with diminishing levels of supply are experiencing negative sales rates, while Yuba and Sutter Counties are growing as new projects come online.

The following table compares average new homes prices from First Quarter 2004 to First Quarter 2005 for the six counties.

AVERAGE SALE PRICES

County	1 st Qtr. 2004	1 st Qtr. 2005	% Change
Sacramento	\$371,702	\$459,795	+23.7%
El Dorado	\$512,264	\$651,600	+27.2%
Placer	\$464,634	\$576,611	+24.1%
Yolo	\$385,422	\$525,715	+36.4%
Yuba	\$261,018	\$333,581	+27.8%
Sutter	\$300,439	\$334,389	+11.3%
Six-County Region	\$403,927	\$486,264	+20.4%

Source: The Gregory Group

The table above indicates new home sale prices have increased substantially throughout the Sacramento Region over the past year.

Based on statistics compiled by The Gregory Group, new home trends over the past several quarters are presented in the following table.

NEW HOME TRENDS –SIX-COUNTY REGION *

Category	3 rd Qtr. 2003	4 th Qtr. 2003	1 st Qtr. 2004	2 nd Qtr. 2004	3 rd Qtr. 2004	4 th Qtr. 2004	1 st Qtr. 2005
Avg. Price	\$385,028	\$393,405	\$403,927	\$439,407	\$460,734	\$471,987	\$486,264
Median Price	\$360,900	\$366,945	\$379,990	\$419,990	\$444,990	\$459,990	\$455,945
Avg. Home Size	2,605	2,572	2,551	2,551	2,541	2,506	2,483
Avg. Price/SF	\$151.21	\$156.54	\$161.96	\$156.54	N/A	\$193.37	N/A
Quarter Sales	4,312	3,651	5,178	4,901	3,455	3,621	4,812
Qtr. Weekly Sales	1.48	1.23	1.61	2.10	1.20	1.28	1.50
Weeks of Inventory	1,737	1,642	884	875	1,221	1,460	982
Weeks of Inventory	5	4	2	2	3	4	3

*Prior to 2004, data is for the four-county region (excludes Yuba and Sutter Counties).

Source: The Gregory Group

Developer Market Share

During First Quarter 2004 (most recent data available), the five most active homebuilders in the region, in terms of sales, were Bearz Homes, JTS Communities, US Home, KB Homes and Centex Homes. For the year 2003, the most active homebuilders in the Sacramento Region were as follows: Lennar Corporation (US Home, Renaissance Homes and Winncrest Homes) with 1,849 sales, Bearz with 1,022 sales, Del Webb with 986 sales, Elliott Homes with 867 sales and KB Homes with 781 sales. Elliott is the only Sacramento based builder in the group.

Attached Housing Market

As prices for new and resale single-family homes in the Sacramento Region have escalated, the cost of ownership has increased. According to information presented at Grubb & Ellis' 2005 Real Estate Forecast, only 12% of Sacramento area households can afford the area's median-priced new home (and only about 25% can afford an existing home). As a result, demand has increased for more affordable alternatives such as condominiums, half-plexes and homes on very small lots.

Developers have quickly responded to this trend and several attached residential projects have recently been completed and are in the pipeline throughout the region. According to an April 2005 article in The Sacramento Bee, there are about 12,500 attached for-sale homes in the planning process in the six-county region, including both new construction and apartment conversions. Grubb & Ellis estimates 7 out of 10 of the new homes under construction or planned in this region represent attached or high-density projects. According to The Gregory Group, the number of condo sales in the region rose 42.5% between First Quarter 2004 and First Quarter 2005, while sales of detached homes fell 16% during the same period.

As of First Quarter 2005, there were 15 active developments offering attached units in the Sacramento Region, according to The Gregory Group's quarterly report. The following table summarizes the active condominium projects in the Sacramento Region.

ATTACHED HOUSING PROJECTS

Project, Location & Developer	No. of Units	Sales Began	SF Range	Price Range	Weekly Sales Rate
Alder Grove, North Highlands (Alder Grove LLC)	116	3 rd Qtr. 2004	880 - 1,025	\$146,900 - \$185,900	3.22
Alicante Villas, Sacramento (Pacifica Companies)	162	1 st Qtr. 2005	750 - 1,650	\$193,990 - \$329,990	7.67
Anara, Natomas (Pacifica West Companies)	200	1 st Qtr. 2005	763 - 1,338	\$179,900 - \$327,400	3.25
Amherst Place, Sacramento (Pacifica Enterprises)	136	3 rd Qtr. 2004	795 - 1,050	\$194,500 - \$259,500	1.71
Bella Rose Villas, Natomas (Inland Construction)	201	2 nd Qtr. 2004	667 - 1,035	\$178,900 - \$273,900	4.43
Campania, Roseville (John Laing Homes)	166	4 th Qtr. 2004	1,131 - 1,698	\$279,990 - \$340,990	3.21
Harriet Lane, West Sacramento (Sacramento SBB Associates)	34	4 th Qtr. 2004	1,450	\$332,990	0.50
Park River Oaks, Sacramento (River City Construction)	64	2 nd Qtr. 2004	1,346 - 1,593	\$312,000 - \$370,000	1.15
Province at Esplanade, Folsom (John Laing Homes)	176	4 th Qtr. 2003	1,050 - 1,681	\$282,990 - \$351,990	1.93
Rivage at Esplanade, Folsom (John Laing Homes)	79	4 th Qtr. 2003	1,313 - 1,747	\$325,990 - \$356,990	0.92
Rollingwood, Fair Oaks (Morton & Pitalo)	272	1 st Qtr. 2005	680 - 1,234	\$157,900 - \$253,900	8.83
Sunrise Village, Citrus Heights (Sunrise)	22	4 th Qtr. 2004	1,319 - 1,383	\$227,000 - \$260,000	0.87
The Phoenician, Roseville (Phoenician LLC)	322	3 rd Qtr. 2004	751 - 1,142	\$239,990 - \$353,990	3.73
The Villas, Roseville (Brenson Communities)	200	3 rd Qtr. 2004	758 - 1,261	\$229,000 - \$302,000	3.46
Westlake Villas, Natomas (Meer Capital Partners)	285	4 th Qtr. 2004	840 - 1,382	\$260,000 - \$375,000	10.53

Source: The Gregory Group

In addition to the active projects above, several projects are proposed for the coming years. In Downtown Sacramento, Saca Development plans two 53-story towers at Capitol Mall and 3rd Street. The Towers will include 700 condos, plus a gym, spa, boutique hotel, parking, retail and restaurants. Prices for the condos are expected to start in the mid-\$300,000s. Regis Homes is building the Capitol Lofts, which will include 123 lofts, 65 single-family homes and 16 rental units in the Triangle area of West Sacramento. In Roseville, Granite Bay Holdings is converting a 324-unit apartment complex to condos. Pacific West Homes is planning the 245-unit Syrah development at Natomas Park. Developer Sixells LLC plans a 60-unit luxury condominium project called Pavilions near Fair Oaks Boulevard and Fulton Avenue in east Sacramento. Prices will start at about \$750,000 and some units could top \$1 million for units ranging in size from 2,100 to 2,500 square feet.

Conclusion

The demand for new housing in the Sacramento Region, as evidenced by sales activity, has improved each year since 1995, when sales were the lowest since 1991. A slowing national economy resulted in a temporary decrease in sales rates observed in the region during 2001. However, many analysts believe the Fourth Quarter 2001 marked the beginning of renewed growth. The years 2002 and 2003 represented near-record years for the Sacramento housing market. Local experts attribute gains in sales activity and home prices to historically low interest rates, coupled with pent-up demand for housing created by robust job growth around the turn of the century. Further, buyers are drawn from other parts of the state and nation to the Sacramento Region for its established infrastructure, stable employment base, variety of housing products, healthy local economy and good climate.

The increase in new home prices in recent years has made single-family homes unaffordable to many entry-level homebuyers, with the affordability index decreasing over the past couple years. This trend has made home ownership more elusive to first-time homebuyers, resulting in an increased demand for alternative locations, such as Sutter and Yuba Counties, and for alternatives such as small lots and attached product. Developers have responded to this trend, with several small-lot and attached projects recently completed or planned throughout the region.

The general consensus among local experts is that the Sacramento housing market will continue to see increases in home sales and prices in 2005, despite predictions by most for slightly increasing interest rates and modest job growth. Many market participants forecast single-digit price appreciation for the coming year. That level of growth would still represent a strong market, but not as strong as the 20%+ price increases seen in many submarkets in recent years. The attached housing market is expected to remain very strong, as is the market for more affordable homes, particularly those priced under \$300,000. Areas of future development include the city of Rancho Cordova (Anatolia I and II), Sutter and Yuba Counties (Plumas Lake), West Sacramento (Southport), Roseville (West Roseville annexation), south Folsom and Rocklin (Sunset Ranchos).

PROPERTY IDENTIFICATION AND LEGAL DATA

Location

The properties within Longmeadow Porter CFD No. 1 consist of two non-contiguous single-family residential subdivisions identified as Longmeadow and Parkside Estates. Longmeadow is situated along the north line of Blue Oaks Boulevard, east of Woodcreek Oaks Boulevard, while Parkside Estates is located at the southeast quadrant of Junction Boulevard and Porter Drive. Both properties are located in the western portion of the city of Roseville, Placer County, California.

Assessor's Parcel Number(s)

Longmeadow is situated within the confines of four assessor's parcels identified as 017-115-083 through -086. Parkside Estates represents assessor's parcels 011-270-001 through -020 and 011-280-002 through -016.

Owner of Record

Title to the subject property is presently vested with John Mourier Construction, Inc.

Legal Description

A complete legal description of the subject property is contained within the preliminary title reports prepared by Old Republic Title Company. Copies of these documents have been included in the Addenda to this report.

Property Taxes

The property tax system in California was amended in 1978 by Article XIII to the State Constitution, commonly referred to as Proposition 13. It provides for a limitation on property taxes and for a procedure to establish the current taxable value of real property by reference to a base year value, which is then modified annually to reflect inflation (if any). Annual increases cannot exceed 2% per year.

The base year was set at 1975-76, or any year thereafter in which the property is substantially improved or changes ownership. When either of these two conditions occur, the property is to be reappraised at market value, which becomes the new base year assessed value. Proposition 13 also limits the maximum tax rate to 1% of the value of the property, exclusive of bonds and supplemental assessments. Bonded indebtedness approved prior to 1978, and any bonds subsequently approved by a two-thirds vote of the district in which the property is located, can be added to the 1% tax rate.

The existing ad valorem taxes are of nominal consequence in this appraisal, primarily due to the fact these taxes will be adjusted substantially as the infrastructure and property improvements are completed. Additionally, the definition of market value employed in this appraisal assumes a sale of the appraised property.

According to the Placer County Treasurer-Tax Collector's Office, the subject property is located in tax rate area 005-001, which has an annual tax rate of 1.0507% based on assessed value. Additionally, the appraised property will be encumbered by the Longmeadow Porter Community Facilities District (CFD) No. 1 bond. With respect to special taxes, we have relied upon the document entitled *Maximum Special Tax by Land Uses Included in CFD*, prepared by Economic and Planning Systems, Inc. (EPS), to determine the annual special tax levy on the subject property. It is the our understanding the annual special taxes under the Longmeadow Porter CFD No. 1 bond will not exceed the following amounts:

Designation	No. of Lots	Maximum Annual Special Tax
Longmeadow		
Village 1	144	\$1,584 per lot
Village 2: Market Units	368	\$1,104 per lot
Village 2 - Phase 1: Low-Income Units	19	\$120 per lot
Village 2 - Phase 1: Middle-Income Units	9	\$120 per lot
Village 2 - Phase 4: Low-Income Units	3	\$1,104 per lot
Village 2 - Phase 4: Middle-Income Units	1	\$1,104 per lot
Parkside Estates	35	\$320 per lot

While there are a total of 32 affordable housing units, the four affordable units within Longmeadow, Village 2 - Phase 4 will have the same annual special tax as the market rate units (\$1,104 per lot). The financing provided through the Longmeadow Porter CFD No. 1 bond issuance is scheduled to fund certain portions of the public improvements to Blue Oaks Boulevard, Woodcreek Oaks Boulevard, Parkside Drive and New Meadow Drive. These improvements include—but are not limited to—drainage, water, joint trench utilities, concrete curbs, gutters and sidewalks, maintenance holes, street lighting, landscaping, masonry walls and other miscellaneous improvements.

The Parkside Estates property is also located within the boundaries of a proposed Assessment District, identified as California Statewide Communities Development Authority Assessment District No. 05-01. According to the Engineer's Report, the total assessment lien applicable to this property will be \$554,872. The annual payments are estimated based on a 25-year period with a 6.50% interest rate. Taking the total encumbrance for this development over a 25-year period (6.50% per year) yields an annual payment of \$1,300 per unit.

The bond indebtedness and any direct charges will be accounted for in the valuation.

Conditions of Title

Preliminary title reports were provided for use in this appraisal and are included in the Addenda to this report. While the appraiser has reviewed the conditions of title and has determined no adverse impact on value, the appraiser assumes no negative title restrictions have been recorded since the dates of the

preliminary title reports. The appraiser accepts no responsibility for matters pertaining to title.

Zoning

Longmeadow

RS/DS – Small Lot Residential/Development Standard Overlay: The RS, Small Lot Residential district is intended to allow either attached or detached single-family dwellings, and similar and related compatible uses. The Development Standard Overlay district has been applied to allow variations to development standards for higher densities (5.1 – 6.9 dwelling units/acre).

BP – Business Professional: The Business Professional district is intended to provide locations for a wide variety of office uses and other uses which are related to and supportive of office uses.

OS – Open Space: The Open Space district is applied to public and private lands that are environmentally sensitive or otherwise significant due to wildlife habitat, flood hazard or other natural features.

P/R – Parks and Recreation: The Parks and Recreation district may be applied to both public and private recreation facilities. It is intended to be applied to larger parks, especially community wide facilities, but may also be applied to smaller neighborhood facilities.

The business park, open space, and parks and recreation land areas are included in, but are not part, of the District. These portions will not be encumbered by special taxes and are excluded from our analysis.

Parkside Estates

R1 - Single-Family Residential: The R1, Single-Family Residential district is intended for detached, single-family homes and similar and related uses, inclusive of half-plexes. The maximum permitted density under this ordinance is four dwelling units per acre.

Entitlements

According to the City of Roseville Planning Department, the Longmeadow project has tentative map approval for the development of detached single-family residential lots. Additionally, a Development Agreement is in place between the City of Roseville and JMC Homes that permits development of the property as planned. The Parkside Estates subdivision has a recorded final map.

Flood Zone

The subject property is located in Flood Zone X, described as areas outside of the 100- and 500-year floodplains. This information was determined in accordance with our interpretation of the Federal Emergency Management Agency (FEMA) Map, Community Panel Numbers 060243-0413F and – 0476F, dated June 8, 1998.

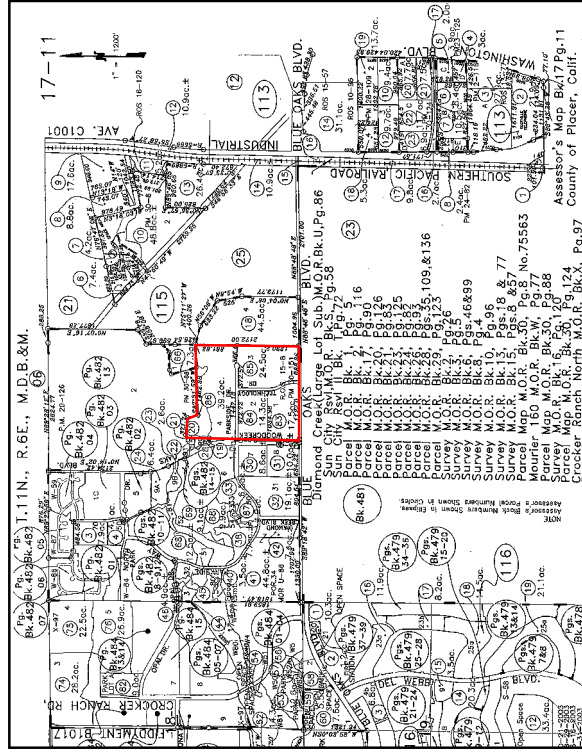
Earthquake Zone

According to the Seismic Safety Commission, the subject property is located within Zone 3, areas of moderate seismic activity. Zone 3 is considered to be the lowest risk zone in California. In addition, the subject is not located within a Fault-Rupture Hazard Zone (formerly referred to as an Alquist-Priolo Special Study Zone), as defined by Special Publication 42 of the California Department of Conservation, Division of Mines and Geology.

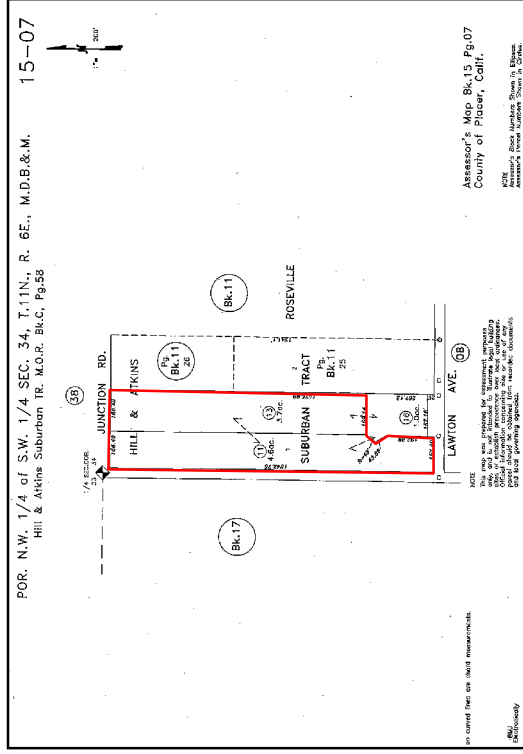
Easements

An inspection of the subject property revealed no apparent adverse easements, encroachments or other conditions that currently impact the subject. According to the preliminary title reports provided for this appraisal (see Addenda), the subject contains easements for roadways and public utilities. However, these easements are typical for the area and are not considered to adversely affect the value or marketability of the subject property. The appraiser is not a surveyor nor qualified to determine the exact location of any easements. It is assumed any easements do not have an impact on the opinion(s) of value contained in this report. If, at some future date, any easements are determined to have a detrimental impact on value, the appraiser reserves the right to amend the opinion(s) of value contained herein.

Longmeadow Assessor's Parcel Map



Parkside Estates Assessor's Parcel Map



Parkside Estates currently represents assessor's parcels 011-270-001 through -020 and 011-280-002 through -016. The property was recently split from two larger parcels identified as 015-070-011 and -013 (shown above); however, the revised parcel map has not yet been drafted. For a detailed site map, please reference the end of the *Site Description* section.

SITE DESCRIPTION

The Longmeadow Porter CFD No. 1 bond issuance is scheduled to fund certain portions of public improvements required for the development of 579 single-family residential lots, including 32 affordable housing lots. The subject property consists of two non-contiguous projects identified as Longmeadow and Parkside Estates. Longmeadow encompasses 544 lots and, as proposed, will be developed with two villages. There are 144 lots proposed for Village 1, and the typical lot measures 6,000 square feet. Village 2 is more representative of a medium density development, with 400 lots having a typical lot size of 3,000 square feet. 32 of these 400 lots are designated for low and middle-income affordable housing units. The lots within Longmeadow are at various stages of development (partially improved and unimproved). Parkside Estates represents 35 improved lots with a typical lot size of 6,000 square feet. There are also a number of sites (public/quasi-public, commercial, and open space) within the boundaries of the District that will not be encumbered by a special tax. Thus, these land areas are excluded from our analysis. The following table details the various land use components comprising the subject property.

Designation	Land Area (Acres)	No. of Lots	Typical Lot Size (SF)
Longmeadow			
Village 1	32.90	144	6,000
Village 2 - Phase 1	16.50	145	3,000
Village 2 - Phase 2	8.70	76	3,000
Village 2 - Phase 3	12.40	109	3,000
Village 2 - Phase 4	8.20	70	3,000
Parkside Estates			
	8.80	35	6,000
Total	87.50	579	

Longmeadow is situated along the north line of Blue Oaks Boulevard, east of Woodcreek Oaks Boulevard, while Parkside Estates is located at the southeast quadrant of Junction Boulevard and Porter Drive. The properties are located in the western portion of the city of Roseville, Placer County, California. Land uses in the subject's immediate area are devoted primarily to residential uses and supporting commercial development, both of which have experienced steady acceptance by the market.

The subject property is further described as follows:

Size and Shape:

Longmeadow Porter Community Facilities District No. 1 contains 87.50 acres, excluding the tax exempt areas, and is situated within the confines of several assessor's parcels that are, for the most part, irregular in shape.

Topography:

The topography of the property is generally level.

Soils:

A soils report was not provided for this analysis. However, based on the existence of residential development situated on nearby parcels, it appears the subject property possesses adequate load bearing capacity for development.

Drainage:

Based on the development plan, our physical inspection of the subject property, and assuming typical grading and paving work will be completed, it is expected the subject property will provide adequate drainage.

Frontage/Access:

The Longmeadow community offers frontage along Blue Oaks Boulevard and Woodcreek Oaks Boulevard. The primary point of entry into Longmeadow is from the east line of Woodcreek Oaks Boulevard. Parkside Estates has frontage along Junction Boulevard and Porter Drive, with the primary entrance point along Porter Drive.

Adjacent Uses (Longmeadow):

North
Vacant land
South
Blue Oaks Boulevard, commercial site and vacant land
East
Vacant land
West
Residential development

Adjacent Uses (Parkside Estates):

North
Residential development
South
Junction Boulevard and residential development
East
Residential development
West
Residential development

Utilities:

Public utilities, including electricity, natural gas, water and telephone service, are available to the property and will be served by the following providers:

Water: City of Roseville
Sewer: South Placer Waste Water Authority
Natural Gas: Pacific Gas and Electric
Electricity: Roseville Electric
Telephone: SBC Communications, Inc.
Fire: Roseville Fire Department
Police: Roseville Police Department

Environmental Issues:

At the time of inspection, the appraiser did not observe the existence of hazardous material, which may or may not be present on the property. The appraiser has no knowledge of the existence of such materials on the property. However, the appraiser is not qualified to detect such substances. The presence of potentially hazardous materials could affect the value of the property. The value estimate is predicated on the assumption there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in the field if desired.

Development Plan:

The development plan for the subject property calls for the construction of 579 single-family residences (including 32 affordable housing homes), situated on lots ranging from 3,000 to 6,000 square feet.

Functional Adequacy:

Development of the single-family residential subdivisions will require an interior street system, which will connect with Blue Oaks Boulevard, Woodcreek Oaks Boulevard, Junction Boulevard and Porter Drive, to serve all of the various components of the subject property. Based upon this plan, overall functional utility is considered good.

Offsite Improvements:

As of the date of value, the subject required significant offsite improvement work. The financing provided through the bond issuance will be used for improvements to Blue Oaks Boulevard, Woodcreek Oaks Boulevard, Parkside Drive and New Meadow Drive. These improvements include—but are not limited to—drainage, water, joint trench utilities, concrete curbs, gutters and sidewalks, maintenance holes, street lighting, landscaping, masonry walls and other miscellaneous improvements.

The hypothetical market value estimate contained herein assumes the completion of the public facilities to be financed by the Longmeadow Porter Community Facilities District No. 1 bond issuance.

Permits and Fees:

The subject's permits and fees pertaining to the home construction costs are approximately \$47,780 per unit for Longmeadow and \$30,000 per unit for Parkside Estates. The difference primarily relates to the prepayment of impact fees for Parkside Estates that

will be financed through California Statewide Communities Development Authority Assessment District No. 05-01.

Conclusion:

The configuration and size of the subject property are considered adequate for development. The demand for single-family product bodes well for the projects. We expect the subject property to be competitive with the other local developments, as well as projects located elsewhere throughout the Sacramento Region.

Longmeadow Site Plan

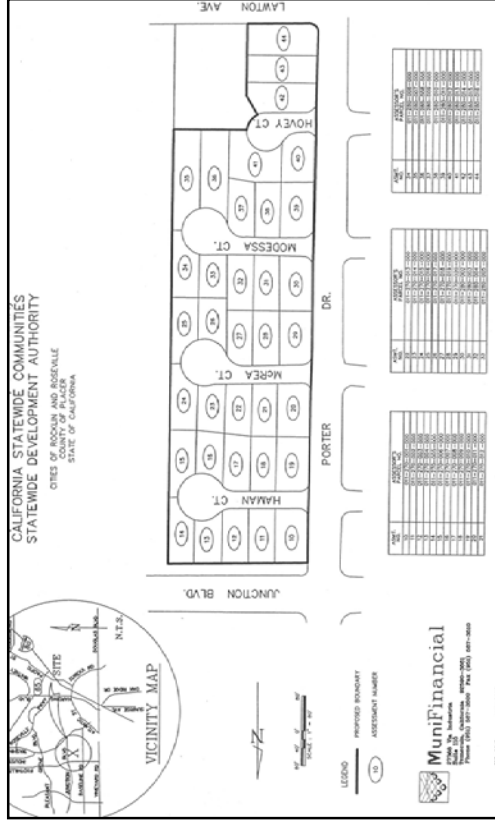


Longmeadow Site Plan with School Site

As stipulated in the Development Agreement between the City of Roseville and John Mourier Construction, Inc., a 7.49± acre portion of the Longmeadow subdivision has the possibility for development as an elementary school. The Roseville City School District (RCSd) has an option to purchase the site at fair market value and must exercise this option, if at all, by December 1, 2005. If the option is exercised, the lot count would be reduced by 72 lots, all of which are situated within Village 2 of Longmeadow. However, the RCSd Agreement is not considered to have an adverse impact on value, even if the option is exercised, due to the fact that the school district is required to purchase the property at fair market value under the highest and best *economic* use as 72 residential lots. If the RCSd exercises the option to purchase the school site, the site plan for Longmeadow would be as follows:



Parkside Estates Site Plan



FACILITIES TO BE FINANCED BY THE DISTRICT

This report will address the hypothetical market value of the subject property, assuming the completion of the improvements to be financed by the Longmeadow Porter Community Facilities District No. 1 bond issuance. The improvements authorized to be financed by the District are detailed in an *Estimated Costs for Improvements* exhibit prepared by Economic and Planning Systems Inc. (EPS), a copy of which is included in the Addenda to this report. The primary facilities authorized to be constructed with the bond proceeds will be used for improvements to Blue Oaks Boulevard, Woodcreek Oaks Boulevard, Parkside Drive and New Meadow Drive. These improvements include—but are not limited to—drainage, water, joint trench utilities, concrete curbs, gutters and sidewalks, maintenance holes, street lighting, landscaping, masonry walls and other miscellaneous improvements.

The cited list of facilities are proposed to include incidental expenses associated with the formation of the Mello-Roos Community Facilities Act of 1982, including - but not limited to - the cost of planning, engineering and designing the facilities, the cost associated with the creation of the District, the issuance of bonds thereof, the determination of the amount of the assessment, the collection of the assessment, the payment of the assessment or costs otherwise incurred in order to carry out the authorized purposes of the District, and any other expenses incidental to the construction, completion and inspection of the facilities.

SUBJECT PHOTOGRAPHS



Looking north across Longmeadow – Village 1



Looking northeast across Longmeadow – Village 1

LONGMEADOW



Looking south across Longmeadow – Village 2

LONGMEADOW



Looking south along Woodcreek Oaks Boulevard (Subject at left)



Easterly view of Longmeadow from Woodcreek Oaks Boulevard



Looking north along Woodcreek Oaks Boulevard (Subject at right)

PARKSIDE ESTATES



Looking southeast from Porter Drive towards McKea Court



Looking east towards Modessa Court from Porter Drive

____ Seevers • Jordan • Ziegenmeyer _____

PARKSIDE ESTATES



Looking west from Haman Court



Looking east along Haman Court

____ Seevers • Jordan • Ziegenmeyer _____

HIGHEST AND BEST USE ANALYSIS

The term “highest and best use,” as used in this report, is defined as follows:

The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility and maximum productivity.⁴

Two analyses are typically required for highest and best use. The first analysis is highest and best use of the property as though vacant. The second analysis (highest and best use as improved) is not relevant due to the fact that the subject property represents vacant land. Definitions of these terms are provided in the *Glossary of Terms* in the Addenda to this report.

Highest and Best Use As Though Vacant

In accordance with the definition of highest and best use, it is appropriate to analyze the subject property as though vacant as it relates to legal permissibility, physical possibility, financial feasibility and maximum productivity.

Legal Permissibility

The legal factors influencing the highest and best use of the subject property are primarily government regulations, such as zoning and building codes. According to the City of Roseville Planning Department, the Longmeadow development is zoned RS/DS - Small Lot Residential/Development Standard Overlay. The RS, Small Lot Residential district is intended to allow either attached or detached single-family dwellings, and similar and related compatible uses. The Development Standard Overlay district has been applied to allow variations to development standards for higher densities (5.1 – 6.9 dwelling units/acre).

The Parkside Estates project is zoned R1 - Single-Family Residential, which is intended for detached single-family homes and similar and related uses, inclusive of half-plexes. The maximum permitted density under this ordinance is four dwelling units per acre.

The area has undergone extensive planning and review. Zoning modifications are considered highly unlikely. Additionally, the tentative map for Longmeadow has been approved, while Parkside Estates has a recorded final map. Based on the zoning and approved development plans, single-family residential development is considered the only legally permissible use of the subject property.

⁴ The Dictionary of Real Estate Appraisal, 4th ed. (Chicago: Appraisal Institute, 2002), 135.

Physical Possibility

The physical characteristics of a site that affect its possible use(s) include, but are not limited to, location, street frontage, visibility, access, size, shape, topography, availability of utilities, off-site improvements, easements and soil and subsoil conditions. Since the legally permissible test has resulted in a singular potential use for single-family residential development, at this point the physical characteristics are examined to see if they are suited for the legally permissible use conclusion.

Based on our physical inspection of the subject property, we know of no reason why the property would not support the legal use. The property is located in Flood Zone X, described as areas outside of the 100 and 500-year flood plains. In addition, the property is not located within a Fault-Rupture Hazard Zone. All utility services are available, and evidence of residential construction in the immediate area provides additional support for the possibility of development. Typical roadway and utility easements exist but are not unusual in any way. It is assumed any easements do not adversely affect the subject’s potential for development.

Overall, the subject property has physical characteristics that support the legally permissible uses.

Financial Feasibility

A determination of financial feasibility is dependent primarily upon demand. The subject property is located in the city of Roseville, an expanding submarket with respect to residential and supporting commercial developments. After analyzing current absorption rates of residential projects within Roseville, Rocklin and Lincoln, it appears single-family residential development will continue to be well received by the marketplace.

Please refer to the *Sacramento Metropolitan Area Housing Market Overview* for a discussion on absorption rates and supply and demand influences. In general, the residential market is strong in the Sacramento market area, with steady to increasing prices and steady absorption rates. With demand and prices steady to rising, land values are also increasing. Even with current land prices, builders are reportedly making sufficient profits to warrant construction of new residential units targeting moderate to upper-income level homebuyers. Homes in the move-up levels generally indicate slower absorption rates, as demand slowly pushes buyers into these levels. However, current pricing and absorption rates for product geared toward the moderate to upper-income earners suggests profit levels and rates of return attractive to builders. Considering the strong demand for new housing in the Sacramento area, as evidenced by the continually increasing median new home price, single-family residential development is deemed a financially feasible use of the subject property.

Maximum Productivity – Conclusion

Legal, physical and market conditions have been analyzed to evaluate the highest and best use of the subject property. The analysis is presented to evaluate the type of use(s), which will generate the greatest level of future benefits possible to the property. Based on the factors previously discussed, single-family residential development is the maximally productive land use that is legally permissible, physically possible and financially feasible. Therefore, considering the subject's specific characteristics, the highest and best use of the subject property is for the development of well balanced single-family residential subdivisions. As noted, there are 32 lots within Village 2 of Longmeadow that are designated for the development of affordable housing units. While affordable housing does not represent the maximally productive use of these sites, it is mandated by the City of Roseville and, therefore, is considered in the valuation.

APPROACHES TO VALUE

The valuation process is a systematic procedure employed to provide the answer to a client's question about the value of real property.⁵ This process involves the investigation, organization and analysis of pertinent market data and other related factors that affect the market value of real estate. The market data is analyzed in terms of any one or all of the three traditional approaches to estimating real estate value. These are the cost, sales comparison, and income capitalization approaches. In the valuation of the subject property, two additional approaches, the extraction technique and the subdivision development method, are also applicable. Each approach to value is briefly discussed and defined as follows:

Cost Approach

The cost approach is based on the premise that no prudent buyer would pay more for a particular property than the cost to acquire a similar site and construct improvements of equivalent desirability and utility. Thus, this approach to value relates directly to the economic principle of substitution, as well as supply and demand. The cost approach is most applicable when valuing properties where the improvements are new or suffer only a minor amount of accrued depreciation, and is especially persuasive when the site value is well supported. The cost approach is also highly relevant when valuing special-purpose or specialty properties and other properties that are not frequently exchanged in the market.

The definition of the cost approach is offered as follows:

A set of procedures through which a value indication is derived for the fee simple interest in a property by estimating the current cost to construct a reproduction of (or replacement for) the existing structure, including an entrepreneurial incentive, deducting depreciation from the total cost, and adding the estimated land value. Adjustments may then be made to the indicated fee simple value of the subject property to reflect the value of the property interest being appraised.⁶

Sales Comparison Approach

The sales comparison approach is based on the premise that the value of a property is directly related to the prices being generated for comparable, competitive properties in the marketplace. Similar to the cost approach, the economic principles of substitution, as well as supply and demand are basic to the sales comparison approach. This approach has broad applicability and is particularly persuasive when there has been an adequate volume of recent, reliable transactions of similar properties that indicate value patterns or trends in the market. When sufficient data are available, this approach is the most direct and systematic approach to value estimation. Typically, the sales comparison

⁵ The Dictionary of Real Estate Appraisal, 4th ed. (Chicago: Appraisal Institute, 2002), 305.
⁶ The Dictionary of Real Estate Appraisal, 67.

approach is most pertinent when valuing land, single-family homes and small, owner-occupied commercial and office properties.

The definition of the sales comparison approach is offered as follows:

A set of procedures in which a value indication is derived by comparing the property being appraised to similar properties that have been sold recently, then applying appropriate units of comparison and making adjustments to the sale prices of the comparables based on the elements of comparison. The sales comparison approach may be used to value improved properties, vacant land, or land being considered as though vacant; it is the most common and preferred method of land valuation when an adequate supply of comparable sales are available.⁷

Income Capitalization Approach

The income capitalization approach is based on the premise that income-producing real estate is typically purchased as an investment. From an investor's point of view, the potential earning power of a property is the critical element affecting value. The concepts of anticipation and change, as they relate to supply and demand issues and substitution, are fundamental to this valuation approach. These concepts are important because the value of income-producing real estate is created by the expectation of benefits (income) to be derived in the future, which is subject to changes in market conditions. Value may be defined as the present worth of the rights to these future benefits. The validity of the income capitalization approach hinges upon the accuracy of which the income expectancy of a property can be measured.

Within the income capitalization approach there are two basic techniques that can be utilized to estimate market value. These techniques of valuation are direct capitalization and yield capitalization.

Direct capitalization is a method used to convert an estimate of a single year's income expectancy into an indication of value in one direct step, either by dividing the income estimate by an appropriate rate or by multiplying the income estimate by an appropriate factor.⁸

Yield capitalization is the capitalization method used to convert future benefits into present value by discounting each future benefit at an appropriate yield rate or by developing an overall rate that explicitly reflects the investment's income pattern, value change, and yield rate.⁹

The definition of the income capitalization approach is offered as follows:

A set of procedures through which an appraiser derives a value indication for an income-producing property by converting its anticipated benefits (cash flows and reversion) into

⁷ The Dictionary of Real Estate Appraisal, 4th ed. (Chicago: Appraisal Institute, 2002), 255.

⁸ The Dictionary of Real Estate Appraisal, 88.

⁹ The Dictionary of Real Estate Appraisal, 315.

property value. This conversion can be accomplished in two ways. One year's income expectancy can be capitalized at a market-derived capitalization rate or at a capitalization rate that reflects a specified income pattern, return on investment, and change in the value of the investment. Alternatively, the annual cash flows for the holding period and the reversion can be discounted at a specified yield rate.¹⁰

Extraction Technique (Residual Analysis)

A method of estimating land value in which the depreciated cost of the improvements on the improved property is estimated and deducted from the total sale price to arrive at an estimated sale price for the land.¹¹

Subdivision Development Method

A method of estimating land value when subdivision and development are the highest and best use of the parcel of land being appraised. All direct and indirect costs and entrepreneurial profit are deducted from an estimate of the anticipated gross sales; the resultant net sales proceeds are then discounted to present value at a market-derived rate over the development and absorption period to indicate the market value of property.¹²

¹⁰ The Dictionary of Real Estate Appraisal, 4th ed. (Chicago: Appraisal Institute, 2002), 143.

¹¹ The Dictionary of Real Estate Appraisal, 106.

¹² The Dictionary of Real Estate Appraisal, 279.

APPRAISAL METHODOLOGY

We have been requested to provide an estimate of hypothetical market value of the subject property as of our date of inspection (June 20, 2005). The subdivision development method to value (discounted cash flow analysis) will be relied upon in the analysis of the subject property. As a component of the subdivision development method, the sales comparison approach and extraction technique will be employed to estimate value for the subject's predominate production residential lot configurations (3,000 and 6,000 square feet). With respect to the affordable housing lots, the extraction technique will be exclusively relied upon to develop an opinion of hypothetical market value for these lots. The extraction technique considers the likely selling prices of the inclusionary housing units (restricted sale prices) and then reduces that value by the direct costs, indirect costs and developer's profit for the construction of the homes. The result of this analysis represents an estimate of residual value for an improved lot.

The resultant value (revenue) indicators will be incorporated into a discounted cash flow analysis to estimate the hypothetical market value of the subject property in bulk, assuming the completion of the improvements to be financed by the Longmeadow Porter CFD No. 1 bond issuance.

While several homes have recently been completed or are currently under development, the contributory value of the improvements is beyond the scope of our analysis. Therefore, in estimating the hypothetical market value of the subject property, we will only consider the value of the underlying land. There are also a number of sites (public/quasi-public, commercial, and open space) within the boundaries of the District that will not be encumbered by a special tax. Thus, these land areas are excluded from our analysis.

This appraisal report has been conducted in accordance with appraisal standards and guidelines found in the Uniform Standards of Professional Appraisal Practice (USPAP) and the Appraisal Standards for Land Secured Financing, published by the California Debt and Investment Advisory Commission.

HYPOTHETICAL MARKET VALUATION

The hypothetical market value of the subject property will be estimated by employing the subdivision development method, defined as follows:

SUBDIVISION DEVELOPMENT METHOD

A method of estimating land value when subdivision and development are the highest and best use of the parcel of land being appraised. All direct and indirect costs and entrepreneurial profit are deducted from an estimate of the anticipated gross sales price; the resultant net sales proceeds are then discounted to present value at a market-derived rate over the development and absorption period to indicate the market value of the property.¹³

The four main items of the discounted cash flow analysis are listed as follows:

- **Revenue** – the gross income (aggregate value) is derived in this section.
- **Absorption Analysis** – the time frame required to sell off the lots. Of primary importance in this analysis is the allocation of the revenue over the absorption period – including the estimation of an appreciation factor (if any).
- **Expenses** – the expenses associated with sell-off are calculated in this section – including administration, marketing and commission costs, as well as taxes and special assessments.
- **Discount Rate** – an appropriate discount rate is derived employing a variety of data.

Our discussions of these four concepts begin below, with the discounted cash flow analysis offered at the end of this section.

Revenue

In estimating revenue for the subject property, we will derive loaded lot indicators for the residential villages by analyzing comparable sales of recent transactions in the market area. As a supporting value indicator, we will use the residual analysis, or extraction technique.

Sales Comparison Approach

In the sales comparison approach, the hypothetical market values of the subject's individual villages will be estimated by a comparison to similar properties that have sold, are listed for sale or are under contract. The underlying premise of the sales comparison approach is the market value of a property is directly related to the price of comparable, competitive properties in the marketplace.

¹³ The Dictionary of Real Estate Appraisal, 4th ed. (Chicago: Appraisal Institute, 2002), 279.

This approach is based on the economic principle of substitution. According to The Appraisal of Real Estate, 12th Edition, published by the Appraisal Institute, 2001 – “*The principle of substitution holds that the value of a property tends to be set by the price that would be paid to acquire a substitute property of similar utility and desirability within a reasonable amount of time. The principle implies that the reliability of the sales comparison approach is diminished if substitute properties are not available in the market.*”

We will utilize the sales comparison approach to estimate the expected revenues for the subject property. In the case of land used for production oriented residential development, this process typically entails the analysis of an entitled site on a finished, or fully improved, lot basis. Bulk sales of final mapped and fully improved lots, as well as tentatively mapped unimproved lots will be analyzed. Many merchant builders compare properties based on a finished lot basis. However, two similar properties may possess different finished lot prices because they may have different permits and fees. Lots possessing permits and fees relatively lower than similar comparable lots will have a higher finished lot price, all else being equal. Thus, in the following analysis, we analyze sales comparables on a *loaded lot* basis. Loaded lot values incorporate the unimproved lot price, site development costs, special assessments and permits and fees.

After deriving a loaded lot indicator for the subject property from comparable sales data, the permits and fees for a typical lot within the subject property, as well as site development costs, will be subtracted from the derived loaded lot indicator. The site development costs per lot quantifies the amount of development needed to transform the unimproved lots into improved lots. Improved lot status includes the completion of in-tract development. As of the date of inspection, the lots within Longmeadow were unimproved and partially improved, while the site work was completed for Parkside Estates. The valuation considers any site development costs that have been incurred to date. Additionally, the value estimates assume the improvements to be financed by the Longmeadow Porter Community Facilities District No. 1 bond issuance are in place and available for use.

The subject property and several of the comparables utilized in our analysis have a special assessment (bond) obligation. The comparables will be analyzed to reflect the impact of the bond indebtedness on value. Additionally, there are differences in Homeowner's Association (HOA) dues between the comparable sales and the subject property, with some projects not encumbered by an HOA fee. The projects with HOA dues typically have common area amenities that are maintained by the fees. Therefore, the amount of HOA dues is considered to be offset by the amenities provided by those dues.

Building permit costs can vary substantially between projects, even though they may be located within the same region. Due to differences in building permit costs, all transactions have been analyzed with these costs taken into account.

There are two different lot size groupings represented by the subject's single-family residential lots, 3,000 square feet and 6,000 square feet. The loaded lot values for these two lot size groupings will be estimated in this section. The survey of recent transactions revealed seven comparables in the subject's market area and surrounding submarkets that are considered good indicators of hypothetical market value. The sales cover the period from February 2004 to April 2005 and range in quantity from 35 to 138 lots. The sales relied upon in this analysis are summarized in the table on the following page, along with a location map. Detailed sales sheets and an adjustment discussion follow the summary table.

COMPARABLE BULK LOT SALES

No.	Location	Sale Date	Sale Price	No. of Lots	SLot	Costs to Complete	Permits and Fees	PV of Bonds	Loaded Lot Value	Typical Lot Size
1	Bickford Ranch - Village R16 South of Bickford Ranch Rd. (proposed), east of Sierra College Blvd. Placer County	Apr-05 (LCO)	\$22,950,000	102	\$225,000	\$0	\$50,875	\$31,879	\$307,754	7,150
2	Amador 1 - Lot 2 North line of Harnden Dr., east of Amador Dr. Rancho Cordova	Dec-04	\$11,000,000	121	\$90,909	\$30,843	\$47,183	\$15,692	\$184,627	3,182
3	Lincoln Crossing - Village 7B South side of Caledon Circle at Earleton Lane Lincoln	Nov-04	\$22,642,902	138	\$164,079	\$18,568	\$14,041	\$20,647	\$217,335	6,825
4	Lincoln Crossing - Village 6C SEC of Ferran Ranch Rd. and Caledon Cir. Lincoln	Nov-04	\$19,287,156	138	\$139,762	\$17,859	\$14,003	\$20,647	\$192,271	6,000
5	Feldstone Meadows South of East Bidwell St., west of Oak Avenue Pkwy. Folsom	May-04	\$12,905,000	89	\$145,000	\$53,450	\$35,000	\$0	\$233,450	5,626
6	Parkside Estates Southeast corner of Junction Blvd. and Porter Dr. Roseville	Apr-04	\$4,725,000	35	\$135,000	\$55,000	\$30,000	\$4,405	\$224,405	6,000
7	Promontory Pointe South of Roseville Pkwy., east of Chase Dr. Roseville	Feb-04	\$9,800,000	56	\$175,000	\$0	\$31,000	\$18,280	\$224,280	4,560

* Inclusive of a 10% allocation for profit



COMPARABLE BULK LOT SALE NO. 1

Property Identification

Project Location
Bickford Ranch – Village R16
South of Bickford Ranch Road (proposed), east of
Sierra College Boulevard, Placer County,
California

Sale Data

Grantor Lennar Communities, Inc.
Grantee JTS Communities
Sale Date April 2005 (Letter of Intent)
Property Rights Conveyed Fee simple
Conditions of Sale Market
Financing Terms All cash to the seller
Sale Price \$22,950,000
Annual Special Assessments per Lot \$2,316

Land Data

Zoning Single-family residential
Topography Rolling
Utilities Available
Number of Lots 102
Development Status at Sale Finished lots
Typical Lot Size (SF) 7,150 square feet

Indicators (Per Lot)

Sale Price \$ 225,000
Site Development Costs \$ 0
Profit Allocation at 10% \$ 0
Finished Lot Indicator \$ 225,000
PV of Bonds \$ 31,879
Permits and Fees \$ 50,875
Loaded Lot Indicator \$ 307,754

Remarks

This comparable represents the April 2005 letter of intent from JTS Communities to purchase the 102 lots comprising Village R16 of the Bickford Ranch master planned community. This development is located east of the Lincoln city limits, within an unincorporated community of Placer County. Several of the lots will be positioned contiguous to open space and/or a golf course and, as such, the lot premiums are considered superior when compared to a typical village within Longmeadow Porter. While site development has not been completed, the purchase price was negotiated on a finished lot indicator of \$225,000 per lot.

COMPARABLE BULK LOT SALE NO. 2

Property Identification

Project Anatolia I, Lot 2
Location North line of Herodian Drive, east of Anatolia Drive, Rancho Cordova, Sacramento County, California

Sale Data

Grantor Angelo Tsakopoulos (26.6% interest), Eleni Tsakopoulos-Kounalakis and Markos Kounalakis (30.0% interest), Tsakapoulos Family Partnership (40.0% interest), Mark Enes (2.4% interest) and AKT Development (1.0% interest)
Grantee Cambridge Homes
Sale Date December 2004 (Contract), June 2005 (COE)
Property Rights Conveyed Fee simple
Conditions of Sale Market
Financing Terms All cash to the seller
Sale Price \$11,000,000
Annual Special Assessments per Lot \$1,140

Land Data

Zoning RD-10
Topography Generally level
Utilities Available
Number of Lots 121
Development Status at Sale Unimproved lots
Typical Lot Size (SF) 3,182 square feet

Indicators (Per Lot)

Sale Price \$ 90,909
Site Development Costs \$ 28,039
Profit Allocation at 10% \$ 2,804
Finished Lot Indicator \$ 121,752
PV of Bonds \$ 15,692
Permits and Fees \$ 47,183
Loaded Lot Indicator \$ 184,627

Remarks

This comparable represents a pending sale, dated December 2004, for \$11,000,000. The close of escrow (June 2005) was contingent upon the seller obtaining tentative map approval for the development. The buyer is responsible for all site development work.

COMPARABLE BULK LOT SALE NO. 3

Property Identification

Project Lincoln Crossing – Village 7B
Location South side of Caledon Circle at Earlton Lane, Lincoln, Placer County, California

Sale Data

Grantor SunCal Development
Grantee JTS Communities
Sale Date November 2004 (November 2004 COE)
Property Rights Conveyed Fee simple
Conditions of Sale Market
Financing Terms All cash to the seller
Sale Price \$22,642,902
Annual Special Assessments per Lot \$1,500 (on average)

Land Data

Zoning Single-family residential
Topography Generally level
Utilities Available
Number of Lots 138
Development Status at Sale Partially improved lots (blue-top)
Typical Lot Size (SF) 6,825 square feet

Indicators (Per Lot)

Sale Price \$ 164,079
Site Development Costs \$ 16,880
Profit Allocation at 10% \$ 1,688
Finished Lot Indicator \$ 182,647
PV of Bonds \$ 20,647
Permits and Fees \$ 14,041
Loaded Lot Indicator \$ 217,335

Remarks

JTS Communities purchased this property on a loaded lot basis. Loaded lot transactions include all site development costs and permits and fees payable upon obtaining building permit. Additionally, the seller is to receive 3% of gross home sales revenue as part of a profit participation agreement. After including an allocation for profit to the site development costs, as well as the present value amount of the annual bond payment, the estimated loaded lot indicator is \$217,335 per lot.

COMPARABLE BULK LOT SALE NO. 4

Property Identification

Project Lincoln Crossing – Village 6C
Location Southeast corner of Ferrari Ranch Road and Caledon Circle, Lincoln, Placer County, California

Sale Data

Grantor SunCal Development
Grantee Hoffman Construction
Sale Date November 2004 (December 2004 COE)
Property Rights Conveyed Fee simple
Conditions of Sale Market
Financing Terms All cash to the seller
Sale Price \$19,287,156
Annual Special Assessments per Lot \$1,500 (on average)

Land Data

Zoning Single-family residential
Topography Generally level
Utilities Available
Number of Lots 138
Development Status at Sale Partially improved lots (blue-top)
Typical Lot Size (SF) 6,000 square feet

Indicators (Per Lot)

Sale Price \$ 139,762
Site Development Costs \$ 16,235
Profit Allocation at 10% \$ 1,624
Finished Lot Indicator \$ 157,621
PV of Bonds \$ 20,647
Permits and Fees \$ 14,003
Loaded Lot Indicator \$ 192,271

Remarks

Hoffman Construction purchased this property on a loaded lot basis. Loaded lot transactions include all site development costs and permits and fees payable upon obtaining building permit. After including an allocation for profit to the site development costs, as well as the present value amount of the annual bond payment, the estimated loaded lot indicator is \$192,271 per lot.

COMPARABLE BULK LOT SALE NO. 5

Property Identification

Project Fieldstone Meadows
Location South line of East Bidwell Street, west of Oak Avenue Parkway, Folsom, Sacramento County, California

Sale Data

Grantor Schumacher/Folsom East Bidwell, LP
Grantee Beazer Homes
Sale Date May 2004 (Contract), June 2004 (COE)
Property Rights Conveyed Fee simple
Conditions of Sale Market
Financing Terms All cash to the seller
Sale Price \$12,905,000
Annual Special Assessments per Lot None

Land Data

Zoning Single-family residential
Topography Gently sloping
Utilities Available
Number of Lots 89
Development Status at Sale Unimproved lots
Typical Lot Size (SF) 5,626 square feet

Indicators (Per Lot)

Sale Price \$ 145,000
Site Development Costs \$ 48,591
Profit Allocation at 10% \$ 4,859
Finished Lot Indicator \$ 198,450
PV of Bonds 0
Permits and Fees \$ 35,000
Loaded Lot Indicator \$ 233,450

Remarks

Beazer Homes acquired the property for \$12,905,000, or \$145,000 per unimproved lot. Lot sizes generally range from 5,600 to 6,600 square feet, with 5,626 square feet representing the predominant lot size configuration. The buyer projected permits and fees to be approximately \$35,000 per lot.

COMPARABLE BULK LOT SALE NO. 6 (SUBJECT SALE)

Property Identification

Project Location
Parkside Estates
Southeast corner of Junction Boulevard and
Porter Drive, Roseville, Placer County, California

Sale Data

Grantor Sid Dunmore (Dunmore Homes)
Grantee JMC Homes
Sale Date April 2004 (June 2004 COE)
Property Rights Conveyed Fee simple
Conditions of Sale Market
Financing Terms All cash to the seller
Sale Price \$4,725,000
Annual Special Assessments per Lot \$320

Land Data

Zoning R1 – Single-family residential
Topography Generally level
Utilities Available
Number of Lots 35
Development Status at Sale Unimproved lots
Typical Lot Size (SF) 6,000 square feet

Indicators (Per Lot)

Sale Price	\$ 135,000
Site Development Costs	\$ 50,000
Profit Allocation at 10%	<u>\$ 5,000</u>
Finished Lot Indicator	\$ 190,000
PV of Bonds	\$ 4,405
Permits and Fees	<u>\$ 30,000</u>
Loaded Lot Indicator	\$ 224,405

Remarks

JMC Homes reportedly purchased the subject property for \$135,000 per lot, unimproved. Permits and fees for this project are estimated at \$30,000 per lot. Costs to complete were reported at \$55,000 per lot, including profit.

COMPARABLE BULK LOT SALE NO. 7

Property Identification

Project Location
Promontory Pointe
South line of Roseville Parkway, east of Chase
Drive, Roseville, Placer County, California

Sale Data

Grantor Jaguar Partnership
Grantee Parkland Homes
Sale Date February 2004
Property Rights Conveyed Fee simple
Conditions of Sale Market
Financing Terms All cash to the seller
Sale Price \$9,800,000
Annual Special Assessments per Lot \$1,328

Land Data

Zoning Single-family residential
Topography Generally level
Utilities Available
Number of Lots 56
Development Status at Sale Finished lots
Typical Lot Size (SF) 4,560 square feet

Indicators (Per Lot)

Sale Price	\$ 175,000
Site Development Costs	\$ 0
Profit Allocation at 10%	<u>\$ 0</u>
Finished Lot Indicator	\$ 175,000
PV of Bonds	\$ 18,280
Permits and Fees	<u>\$ 31,000</u>
Loaded Lot Indicator	\$ 224,280

Remarks

This comparable represents the sale of 56 improved lots to Parkland Homes. The property went into contract in February 2004 for \$9,800,000, or \$175,000 per lot, and is subject to an inclusionary housing requirement. With a typical lot size of 4,560 square feet, the property is representative of a medium-density development.

Adjustments

Many merchant builders compare properties based on a finished lot basis. However, two similar properties may possess different finished lot prices because of differing permits and fees. Properties possessing a lower permit and fee schedule relative to other properties will have a higher finished lot price, all else being equal. Thus, in the following analysis, we analyze sales comparables on a *loaded lot* basis. Loaded lot values incorporate the unimproved lot price, site development costs and permits and fees, plus any differences relating to bonds. These items are discussed in the following paragraphs.

Site Development Costs

The majority of the comparables represents unimproved lot transactions and, as such, site development costs are added to equate these comparables to finished lots for comparison purposes. In order to account for the profit associated with improving the lots, a profit allocation in the amount of 10% of the site development costs is also incorporated.

Permits and Fees (Impact Fees)

The permits and fees are applied on a dollar-for-dollar basis. After the conclusion of loaded lot value (with permits and fees paid), we then subtract the amount of the subject's permits and fees to arrive at our estimate of revenue.

Bonds and Assessments

Mello-Roos districts encumber the comparables utilized for this analysis, as well as the subject property. The comparables are adjusted based on the impact of bond indebtedness on value (included in the loaded lot indicators).

Additional Adjustments

The comparable transactions are adjusted based on the profile of the subject property with regard to categories that affect market value. If a comparable has an attribute considered superior to that of the subject, it is adjusted downward to negate the effect the item has on the price of the comparable. The opposite is true of categories considered inferior to the subject property.

Percentage or dollar adjustments are considered appropriate in order to isolate and quantify the adjustments on the comparable sales data. At a minimum, the appraiser considers the need to make adjustments for the following items:

- Property rights conveyed
- Financing terms

- Conditions of sale (motivation)
- Market conditions (time)
- Physical features

A paired sales analysis is performed in a meaningful way when the quantity and quality of data are available. However, many of the adjustments require the appraiser's experience and knowledge of the market and information obtained from those knowledgeable and active in the marketplace. A detailed analysis involving each of these factors is presented on the following pages.

Property Rights Conveyed

In transactions of real property, the rights being conveyed vary widely and have a significant impact on the sales price. As previously noted, the opinion of value in this report is based on a fee simple estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat, as well as non-detrimental easements, community facility districts and conditions, covenants and restrictions (CC&Rs). All of the comparables represent fee simple estate transactions. Therefore, adjustments for property rights are not necessary.

Financing Terms

In analyzing the comparables, it is necessary to adjust for financing terms that differ from market terms. Typically, if the buyer retained third party financing (other than the seller) for the purpose of purchasing the property, a cash price is presumed and no adjustment is required. However, in instances where the seller provides financing as a debt instrument, a premium may have been paid by the buyer for below market financing terms or a discount may have been demanded by the buyer if the financing terms were above market. The premium or discounted price must then be adjusted to a cash equivalent basis. The comparable sales were cash to the seller transactions and, therefore, do not require adjustments.

Conditions of Sale

Adverse conditions of sale can account for a significant discrepancy from the sales price actually paid compared to that of the market. This discrepancy in price is generally attributed to the motivations of the buyer and the seller. Certain conditions of sale are considered to be non-market and may include the following:

- a seller acting under duress,
- a lack of exposure to the open market,
- an inter-family or inter-business transaction for the sake of family or business interest,
- an unusual tax consideration,
- a premium paid for site assemblage,
- a sale at legal auction, or
- an eminent domain proceeding.

All of the comparable transactions were arms-length market transactions and do not require a condition of sale adjustment.

Market Conditions (Time)

Market conditions generally change over time, but the date of this appraisal is for a specific point in time. Therefore, in an unstable economy, one that is undergoing changes in the value of the dollar, interest rates and economic growth or decline, extra attention needs to be paid to assess changing market conditions. Significant monthly changes in price levels can occur in several areas of a municipality, while prices in other areas remain relatively stable. Although the adjustment for market conditions is often referred to as a time adjustment, time is not the cause of the adjustment.

In evaluating market conditions, changes between the sale dates and the effective date of this appraisal may warrant adjustment; however, if market conditions have not changed, then no time adjustment is required. While the real estate market went into a period of moderation during the 3rd and 4th quarters of 2001, the residential sector began to rebound after this period, with market conditions steadily improving since. Based on our review of historical pricing for several comparable projects in the Sacramento region, as reported by The Gregory Group, an enterprise that tracks the local and regional housing market, Comparables #2 through #7, which represent early to late-2004 sales, require upward adjustments to account for the improvement in market conditions since the sale dates.

Physical Characteristics

The physical characteristics of a property can impact the selling price. Those that may impact value include the following:

Location and Community Appeal

The subject property is located within the city of Roseville and is considered to have a good overall location. Comparables #3 and #4 are located within the city of Lincoln and are deemed to have an inferior overall location with respect to surrounding land uses, desirability, property values, etc. Upward adjustments are warranted to these comparables for location. The subject and comparables have similar community appeal and no adjustments are deemed necessary for this factor.

Number of Lots

Generally, there is an inverse relationship between the number of lots and price per lot such that projects (or phases) with a greater number of lots sell for a lower price per lot compared to projects (or phases) with a fewer number of lots due to the discounting associated with larger transactions. None of the comparables has a lot count that differs enough from the subject's individual villages to warrant an adjustment.

Lot Sizes

In the following analysis, the sales require upward adjustments for inferior (smaller) lot sizes and downward adjustments for superior (larger) lot sizes compared to the subject property. The degree of adjustment is dependent on the size disparity between the comparables and the subject's 3,000 and 6,000 square foot lots.

Site Utility

Differences in contour, drainage or soil conditions can affect the utility and, therefore, the market value of the property. Each of the comparable properties possesses similar site utility as the subject property; no adjustments are necessary.

Lot Premiums and Discounts

This analysis is concerned with the hypothetical market value of the subject property in bulk. As such, premiums that would be achieved on an individual retail basis have been considered based upon their influence of the value of the property in bulk. Comparable #1 offers superior premiums due to golf course orientation and view amenities. As such, this comparable requires a downward adjustment for this amenity. No other adjustments are necessary for differences in lot premiums.

Zoning

All of the sales have similar zoning compared to the subject property; no adjustments are required.

Loaded Lot Indicator – Sales Comparison Approach

In comparison to the subject property, the data set required adjustments for discrepancy in typical lot size, both larger and smaller than the subject's lots. Significant interest in developable residential land throughout the Sacramento region has occurred during the past year; consequently, upward adjustments to account for the improvement in market conditions were applied to several of the comparable sales. Utilizing the indications of the data set, and considering the similarities and dissimilarities between the data set and the subject property previously discussed; namely, the improvement in market conditions and discrepancies in typical lot size; an indicator of \$240,000 per loaded lot for the standard 6,000 square foot lots and \$195,000 per loaded lot for the 3,000 square foot lots is concluded via the sales comparison approach. The estimate of hypothetical market value is inclusive of permits and fees and bonds (present value).

Residual Analysis (Extraction Technique)

As a supporting indication of hypothetical market value, we will utilize the extraction technique. The extraction technique considers the likely selling prices of homes to be offered at the subject

developments and then reduces that value by the direct costs, indirect costs and developer's profit for the construction of a home. The result of this analysis represents an estimate of the residual lot value for an improved lot.

Based on the profile of the area residential market, and considering the approved lot sizes, the subject property could be developed with a range of new homes that would target the middle to upper-income buyer segments of the new home market.

Average Home Price

Using the subject's standard lot sizes, we will estimate a typical new production home for the subject property that is based on a survey of active subdivisions within the Roseville market. For the purposes of our extraction technique, we will utilize 2,500 and 1,500 square foot floor plans for the 6,000 and 3,000 square foot lots, respectively, which are considered representative of the average product being offered in similar developments. The following table details several competitive projects in the Roseville/Rocklin market. The data is taken from The Gregory Group 1st Quarter 2005 Housing Report.

Project	Planned Units	No. of Units Sold	Lot Size (SF)	Total Sales Rate	Average Floor Plan (SF)	Average Base Price
Villas on the Green	64	64	6,000	0.69	2,885	\$648,488
Casa Bella	91	54	6,600	0.76	2,925	\$641,657
Rockridge	99	99	2,520	1.43	2,017	\$414,490
Canyon View at Shonridge	462	378	6,500	1.94	2,220	\$523,200
Sevilla at Crocker Ranch	177	116	4,500	1.25	2,021	\$481,419
Strada	242	92	2,200	3.07	1,357	\$343,990
Premier Oaks	45	35	6,500	0.95	2,538	\$413,704
Riviera	110	73	6,000	0.91	2,208	\$525,990
Coronet	130	119	6,200	1.31	2,227	\$498,240
Centro Via	56	28	4,500	1.75	2,493	\$494,500

After examination of the active single-family residential developments in the Roseville/Rocklin market, an average base price of \$525,000 is concluded for the subject's 2,500 square foot floor plan, and an average base price of \$375,000 for the hypothetical 1,500 square foot floor plan. The present value of bonds is also included to establish a total consideration base price.

Direct Costs, Indirect Costs and Profit

The direct costs of construction are estimated based on reported costs for residential projects in the Northern California region, with support from the Residential Cost Handbook, a nationally recognized cost-estimating guide published by the Marshall and Swift Corporation. Direct cost estimates reported from other projects are tabulated in the following table.

Project / Location	Builder	Effective Date	Floor Plan (SF)	Direct Costs per SF
Sedona at Anatolia Rancho Cordova	Tim Lewis Communities	2005	2,001	\$60.44
			2,416	\$62.38
			2,544	\$58.59
			2,759	\$57.11
Morgan Creek Lake Community Roseville	Lakemont Homes	2005	2,462	\$68.52 - \$72.47
			2,780	\$73.73 - \$76.23
			3,059	\$61.88 - \$64.68
			3,576	\$60.26 - \$63.37
Serrano, Village J3B El Dorado Hills	Greenbriar Homes	2004	4,651	\$60.58 - \$63.24
			4,112	\$75.00
			4,192	\$75.00
			4,280	\$72.00
The Promontory, Village 1 El Dorado Hills	CDB Homes	2004	4,974	\$72.00
			5,095	\$72.00
			2,709	\$73.49
			2,912	\$70.62
Morgan Creek Villas Roseville	Lakemont Homes	2004	3,036	\$72.98
			3,218	\$70.87
			3,837	\$64.13
			2,654	\$75.21
			2,875	\$74.06
			3,128	\$69.71

Based on the cost comparables presented, we estimate average direct costs in the amount of \$75 per square foot. Indirect costs are estimated at 25% of the direct costs and a profit factor of 12% of the sale price will also be deducted. This factor is considered consistent with profit margins achieved within existing projects offering home product similar to the product expected within residential developments such as the subject projects.

Conclusion

The residual analysis, based upon the cited factors, is presented below:

Living Area (SF)	2,500	1,500
Sale Price	\$525,000	\$375,000
Special Tax	\$21,800	\$15,200
Total Consideration	\$546,800	\$390,200
Less:		
Direct costs of construction at \$75 psf	(\$187,500)	(\$112,500)
Indirect costs at 25% of direct costs	(\$46,875)	(\$28,125)
Developer's profit at 12% of sales price	~~(\$63,000)~~	~~(\$45,000)~~
Loaded Lot Value	\$249,425	\$204,575
Rounded	\$249,000	\$205,000

As discussed under the *Highest and Best Use*, the subject developments are considered most profitable as new home production subdivisions targeted towards middle to upper-income homebuyers. The extraction technique is similar to an analysis performed by a merchant builder and does not require an absorption analysis or any further discounting.

Reconciliation and Conclusion of Loaded Lot Value

The value estimates derived for the subject's typical lot configurations via the sales comparison approach and extraction technique are presented below.

6,000 Square Foot Lots
Sales Comparison Approach
Extraction Technique
\$240,000/lot
\$249,000/lot

3,000 Square Foot Lots
Sales Comparison Approach
Extraction Technique
\$195,000/lot
\$205,000/lot

Generally, the sales comparison approach is deemed the best overall method in the valuation of vacant land. The extraction technique was employed as the supporting indication of value. Under this premise, the land value of the subject property is derived as a remainder amount based on the most likely end product. In the instance of the subject property, the end product could be a variety of product at more than one range of values. As illustrated above, the value indicator derived via the extraction technique is reasonably similar to the value concluded via the sales comparison approach and is believed to substantiate the sales comparison approach value conclusion. Considering the information cited above, we have concluded a loaded lot value of **\$240,000** per lot for the subject's standard 6,000 square foot lot and **\$195,000** per lot for the subject's 3,000 square foot lots.

As noted, the Longmeadow development has an inclusionary housing requirement that stipulates 32 (22 low-income and 10 middle-income) lots within Village 2 are to be designated for affordable housing. According to the City of Roseville's Housing and Redevelopment Department, the city's affordable housing requirement states that the units are to be affordable to buyers earning 79% (low-income) and 100% (middle-income) of median income within the four-county Sacramento Region: Sacramento County, Placer County, El Dorado County and Yolo County. The maximum value of an affordable unit is calculated based upon 30% of the gross median income, as specified, to be available for all costs related to housing, including any/all bond encumbrances, principle and interest payments on the home loan, taxes and insurance. The interest rate reflects current 30-year fixed interest rates. Based upon the cited factors, the City of Roseville Economic and Community Services Department estimates the average base prices will be \$195,000 for the low-income households and \$258,000 for the middle-income households. Both prices are applicable to a 1,053 square foot floor plan. Additionally, the present value of the special assessment obligation is included to reflect the

total consideration base price. An additional extraction technique is employed to estimate the market value of the affordable housing lots.

Living Area (SF)	1,053 (Low-Income)	1,053 (Middle-Income)
Sale Price	\$195,000	\$258,000
Special Tax	\$1,650	\$1,650
Total Consideration	\$196,650	\$259,650
Less:		
Direct costs of construction at \$75 psf	(\$78,975)	(\$78,975)
Indirect costs at 25% of direct costs	(\$19,744)	(\$19,744)
Developer's profit at 12% of sales price	~~(\$23,400)~~	~~(\$30,960)~~
Loaded Lot Value	\$74,531	\$129,971
Rounded	\$75,000	\$130,000

Village 2 – Phase 1 will have 19 low-income and nine middle-income affordable housing units, while Village 2 – Phase 4 will have three low-income and one middle-income units. Both villages have a typical lot size of 3,000 square feet. To establish a loaded lot indicator for these villages, we will calculate a weighted average of our hypothetical market value conclusions for the standard and affordable housing lots. The weighted average loaded lot indicators for Phases 1 and 4 are estimated in the following table:

Designation	Typical Lot Size (SF)	No. of Lots	Loaded Lot Value Conclusion	Ratio	Weighted Loaded Lot Value	Conclusion (Rounded)
Longmeadow, Village 2 - Phase 1						
Standard Lots (Market)	3,000	117	\$195,000	x 80.7%	= \$157,345	\$175,000
Low-income Affordable Housing Lots	3,000	19	\$75,000	x 13.1%	= \$9,828	
Middle-income Affordable Housing Lots	3,000	9	\$130,000	x 6.2%	= \$8,069	
Longmeadow, Village 2 - Phase 4						
Standard Lots (Market)	3,000	66	\$195,000	x 94.3%	= \$183,857	\$189,000
Low-income Affordable Housing Lots	3,000	3	\$75,000	x 4.3%	= \$3,214	
Middle-income Affordable Housing Lots	3,000	1	\$130,000	x 1.4%	= \$1,857	

Based on the preceding discussion and analyses, the conclusions of loaded lot indicators for each of the villages and phases comprising the subject property are detailed in the table on the following page.

Designation	No. of Lots	Typical Lot Size (SF)	Loaded Lot Value
Longmeadow			
Village 1	144	6,000	\$240,000
Village 2 - Phase 1	145	3,000	\$175,000
Village 2 - Phase 2	76	3,000	\$195,000
Village 2 - Phase 3	109	3,000	\$195,000
Village 2 - Phase 4	70	3,000	\$189,000
Parkside Estates	35	6,000	\$240,000

Conclusion of Revenue

Loaded lot values were previously estimated for the separate lot size configurations and/or villages. In order to estimate revenue for the subject property, deductions are required for site development costs and permits and fees. The site development costs are based on the developer's budget and appear reasonable relative to comparable projects located throughout the Greater Sacramento Region. Site development for the Parkside Estates subdivision has been completed; therefore, no deductions for site costs are required to this project. The lots within Longmeadow are at various stages of development (unimproved and partially improved). The estimate of revenue for this development will take into account any site development costs that have been incurred to date. Similar to the profit factor utilized in deriving the finished lot indicator for the comparable sales (unimproved lot comparables), a profit factor is incorporated to the site development costs. We will deduct estimated site development costs from the loaded lot indicators of the individual villages.

Revenues are generated by the sale of each of the villages and will be integrated into the discounted cash flow analysis (subdivision development method) in order to reflect the bulk, or wholesale, hypothetical market value of the subject property. The revenue for the subject property is estimated in the following table.

Designation	No. of Lots	Typical Lot Size (SF)	Loaded Lot Value	Permits and Fees	In-Tract Dev. Costs	Unimproved Lot Value	Extension	Rounded
Longmeadow								
Village 1	144	6,000	\$240,000	(\$47,780)	(\$22,767)	\$169,453	\$24,401,180	\$24,400,000
Village 2 - Phase 1	145	3,000	\$175,000	(\$47,780)	(\$3,300)	\$123,920	\$17,968,400	\$17,970,000
Village 2 - Phase 2	76	3,000	\$195,000	(\$47,780)	(\$17,486)	\$129,734	\$9,859,814	\$9,860,000
Village 2 - Phase 3	109	3,000	\$195,000	(\$47,780)	(\$23,170)	\$124,050	\$13,521,406	\$13,520,000
Village 2 - Phase 4	70	3,000	\$189,000	(\$47,780)	(\$24,472)	\$116,748	\$8,172,381	\$8,170,000
Parkside Estates	35	6,000	\$240,000	(\$30,000)	\$0	\$210,000	\$7,350,000	\$2,350,000
Total	579							\$81,270,000

Absorption Analysis

In attempting to estimate the marketing time that would be required for the disposition of the single-family residential lots, we have looked at both the historical marketing times of a number of sales, as well as current and projected economic conditions. For the most part, the sales, which have been used in this report, sold within a 3 to 12 month time frame.

In developing an estimate of the absorption period for the subject property, we have attempted to consider both the impacts for present market conditions as well as anticipated changes in the market. Real estate is cyclical in nature, and it is difficult to accurately forecast and project specific demand over a projected absorption period.

Estimating absorption is based on several factors. One consideration is the past experience of local residential developers that are marketing similar projects. This analysis is best measured by historic absorption rates for lots in the Northern California Region. The recent level of demand for single-family homes in the Sacramento Region, as well as the limited supply of entitled land near ready for development, should bode well for the subject property.

California's Central Valley, which includes both the Sacramento and San Joaquin Valleys, has achieved significant absorption of near ready for development residential land. For instance, in the city of Lincoln, in south Placer County, is the Lincoln Crossing master planned community. This development is located just west of State Highway 65, south of Moore Road, and incorporates 1,066 acres of land. Lincoln Crossing is being developed in two phases, bisected by the proposed State Highway 65 Bypass, scheduled to begin this year. Phase I includes 541 acres north of the State Highway 65 Bypass and will include 1,138 single-family residential lots, two school sites, 10 acres of multifamily residential land, 17.9 acres of commercial land and 8 acres of office land.

Development of Phase I was recently completed. Phase II, which includes 525 acres south of the proposed State Highway 65 Bypass, contains an additional 1,555 single-family residential lots, 17.6 acres of commercial land, and an 8-acre school site. The balance, 54 acres, will be used as right-of-way to support the Bypass. Phase II development began in Summer 2003, with completion in late-2004. Shortly after entering the market, 828 lots within Phase I of Lincoln Crossing were sold to merchant builders, including KB Homes, Centex Homes and Morrison Homes.

Further illustrating the demand for developable residential land throughout the Central Valley, in the city of Lathrop, in San Joaquin County, just south of the city of Stockton, Pacific Union Homes is developing the Mossdale Landing master planned community, which, at build-out, will include 998 detached single-family residences. In terms of market acceptance, all of Phase I of the Mossdale Landing development, which includes 550 proposed single-family lots, had sold to merchant builders within one year, and development is currently underway.

In western Stanislaus County, in the city of Patterson, the Keystone Corporation, a North Carolina developer, is developing the Patterson Gardens master planned community, a 985-lot residential community with adjoining commercial component. The demand for the single-family residential lots within the Patterson Gardens development is illustrated by the fact Keystone Corporation has a signed purchase agreement or letter of intent to sell five of the six residential villages comprising the development, which totals 938 of the 985 proposed single-family residential lots. The buyers include Grupe Homes, Ranchwood Homes and William Lyon Homes.

In the city of Rancho Cordova is the Anatolia master planned community, which encompasses approximately 1,214 gross acres designated for the development of 3,112 single-family residential lots, a multifamily site, commercial parcels, parks and two school sites. Additionally, this development has approximately 481.6 gross acres allocated to open space and wetland preserve. The 16 villages within Anatolia I and II were met by overwhelming demand from merchant builders, even at a time when litigation was ongoing and the future of the development was uncertain. The lawsuits have since been resolved and each of the villages transferred within one year.

One of the more convincing observations suggesting strong demand for residential land in the subject's market area is the sale of the Westpark master planned community in West Roseville, which is proposed for the development of 3,522 single-family residential lots (including 703 age-restricted and 85 affordable housing units), a multifamily residential component encompassing 697 developable units (including 341 affordable housing units), three commercial sites containing a combined 18.4 acres, a business professional (office) site measuring 10.5 acres, and three industrial sites totaling 108.5 acres. The entire Westpark development transferred from Westpark Associates to PL Roseville, LLC for \$410 million in March 2005. The project was marketed for less than one year.

The preceding discussion suggests there is strong demand for developable residential land in the region. Even with the overall number of lots slated for development, it appears demand for residential land in the subject's immediate area outweighs current and projected supply. Considering the development timeline and scope of the project, it is estimated the residential villages could transfer within one year of exposure to the market. Thus, the discounted cash flow analysis will reflect sales of residential lots over a one-year period (four quarters).

For an absorption discussion relating to new home sales in the Sacramento region, please reference the *Sacramento Metropolitan Area Housing Market Overview*. In general, demand for new residences over the past several years has been stable to increasing and, given the limited supply of entitled residential land, new home sales are not expected to diminish over the near-term. Further, the median new home price continues to escalate at a steady pace. Demand for new housing in the Sacramento Region has been very strong over the past several years, a trend that has sustained in the current market environment.

Appreciation

As discussed throughout this report, the real estate market in the region is strong. The activity over the past 24 months has been robust over the past few years. Although the recent activity has been at levels not commonly experienced, it is reasonable to assume as the area develops, and commercial services become more readily available, the subject's location will continue to enjoy upward movement in prices. To account for the potential of future increases, we will apply an annual increase at a rate of 5% per year (1.25% per quarter, compounded).

Expenses

Marketing Costs/Commissions/Closing Costs/Administrative

Commissions and closing costs relative to the transfer of the properties are estimated at 4% of total retail value. Although this rate is somewhat negotiable, it is considered to be consistent with current industry trends. Further, this estimate includes closing costs.

The administrative expense category covers the various administrative costs associated with managing the overall development, including management, legal and accounting fees and other professional services common to a large-scale development. For purposes of this analysis we have estimated this expense at 2% of the gross sale proceeds.

In total, we have included an allowance of 6% for marketing costs, commissions, closing costs and administrative expenses.

Property Taxes

This appraisal is predicated on, and assumes, a sale of the appraised property. Interim ad valorem real estate taxes are based on the subject's current tax rate (1.0507%) applied to the estimate of hypothetical market value. As the lots are sold off, the average tax liability is estimated and then applied to the unsold inventory. Direct charges are also included in the estimate of property taxes.

Special Assessments (Bonds)

With respect to special taxes, we have relied upon the document entitled *Maximum Special Tax by Land Uses Included in CFD*, prepared by Economic and Planning Systems, Inc. (EPS), to determine the annual special tax levy on the subject property. It is our understanding the annual special taxes under the Longmeadow Porter CFD No. 1 bond will not exceed the following amounts:

Designation	No. of Lots	Maximum Annual Special Tax
Longmeadow		
Village 1	144	\$1,584 per lot
Village 2: Market Units	368	\$1,104 per lot
Village 2 - Phase 1: Low-Income Units	19	\$120 per lot
Village 2 - Phase 1: Middle-Income Units	9	\$120 per lot
Village 2 - Phase 4: Low-Income Units	3	\$1,104 per lot
Village 2 - Phase 4: Middle-Income Units	1	\$1,104 per lot
Parkside Estates	35	\$320 per lot

While there are a total of 32 affordable housing units, the four affordable units within Longmeadow, Village 2 – Phase 4 will have the same annual special tax as the market rate units (\$1,104 per lot). The financing provided through the Longmeadow Porter CFD No. 1 bond issuance is scheduled to fund certain portions of the public improvements to Blue Oaks Boulevard, Woodcreek Oaks Boulevard, Parkside Drive and New Meadow Drive. These improvements include—but are not limited to—drainage, water, joint trench utilities, concrete curbs, gutters and sidewalks, maintenance holes, street lighting, landscaping, masonry walls and other miscellaneous improvements.

The Parkside Estates property is also located within the boundaries of a proposed Assessment District, identified as California Statewide Communities Development Authority Assessment District No. 05-01. According to the Engineer's Report, the total assessment lien applicable to this property will be \$554,872. The annual payments are estimated based on a 25-year period with a 6.50% interest rate. Taking the total encumbrance for this development over a 25-year period (6.50% per year) yields an annual payment of \$1,300 per unit.

Major Infrastructure Development (Off-Site Improvements)

The developer has provided a cost budget indicating \$6,584,276 in total infrastructure costs, excluding in-tracts, or on-site improvement costs. Based on the projected special taxes and bonded indebtedness for the proposed Longmeadow Porter Community Facilities District No. 1, prepared by Economic and Planning Systems, Inc., the construction fund proceeds will finance all off-site development. Therefore, assuming the public facilities to be financed by the proposed Longmeadow Porter CFD No. 1 are in place as of the date of value, no deductions for off-site development are required.

Discount Rate

According to a leading publication within the appraisal industry, *The Korpacz Real Estate Investor Survey*¹⁴, discount rates for land development range from 11.00% to 25.00%, with an average of 18.05%, during the Second Quarter 2005. This represents no change from the Fourth Quarter 2004, and a decrease of 40 basis points from the Second Quarter 2004. According to the data presented in the survey prepared by Korpacz, the majority of those respondents who use the discounted cash flow (DCF) method do so free and clear of financing. Additionally, the participants reflect a preference in including the developer's profit in the discount rate, versus a separate line item for this factor. Accordingly, the range of rates presented above is inclusive of the developer's profit projection.

The discount rates are based on a survey that includes residential, office, retail and industrial developments. Participants in the survey indicate the highest expected returns are on large-scale, unapproved developments. The low end of the range was extracted from projects where certain development risks had been lessened or eliminated. Several respondents indicate they expect slightly lower returns when approvals/entitlements are already in place.

Developer surveys conducted during this economic cycle have elicited the following responses:

John Johnson of Pulte Homes indicated that they used a 7% static profit for starter homes in affordable markets but quickly moved into higher ranges for areas with entitlement risk.

Michael Courtney of Standard Pacific indicated that 8% static profits were tolerable for starter homes and that a 10% figure would be required for high-end homes, even for fast moving markets and product types.

Chris Downey of Hon Development - Minimum IRR requirements are 20-25%. For an 8 to 10 year cash flow, the return would be higher - say in the mid to upper 20's. Factors to consider in the estimation of the IRR include the upside potential, such as the potential to increase density, cut costs, etc. Hon Development has participated in both smaller scale residential community development and very large scale; full-integrated master planned community development with a wide variety of user types.

Lyle McCullogh of California Pacific Homes - No less than 20% IRR for land development, either entitled or unentitled. California Pacific Homes is the residential development arm for the Irvine Company and has participated in master planned community development in Irvine, Northern California and San Diego County.

Terry Ruckle of Grubb and Ellis - Mr. Ruckle is a broker involved in the sale of Northlakes, a 1,300-acre proposed master planned community in Castaic, Los Angeles County. Mr. Ruckle stated that the undisclosed buyer's IRR requirement was approximately 30%. He stated that this is fairly typical of the market for partially entitled master planned community land of this size and development range.

Gary Gorian of Dale Poe Development - Dale Poe Development is the master land developer for Stevenson Ranch. They are in the business of buying, selling and developing land. Mr. Gorian

¹⁴ *The Real Estate Investor Survey*, Peter F. Korpacz and Associates, 2nd Quarter 2005, Volume 18, Number 2.

said 25% IRR for land development is typical. For properties with significant infrastructure costs, he would expect a slightly higher IRR. He would look at an entitled piece of land, ready to go, separately from the unentitled land.

David Pitts of Newhall Land and Farming - IRR's for land development deals should be in the low 20% range to 30% on an unleveraged basis, depending upon risk and length of the development period. Newhall Land is the master planned community developer of the community of Valencia. Additionally, Newhall Land has gained approvals for a new community that will be a larger master planned community in California.

Mark Palkowitch of MSP California, LLC - This company is based in Denver, Colorado. They purchase unentitled and partially entitled land and take it to entitlements and sell it. They are currently involved in several Southern California large land deals, most in Riverside County and a few in Santa Clarita. They consider themselves risk takers and expect the higher returns for entitling properties. For large land deals from raw unentitled to tentative map stage, he would expect an IRR of 35%, unleveraged or leveraged. From tentative map to pad sales to merchant builders, an unleveraged IRR of 25% to 30% would be expected.

Rick Nieman of GFC - Mr. Nieman is involved with the purchase of Talega in San Clemente. Their IRR requirements for land with some entitlements is 18% to 22%, unleveraged. This return would be for developing and marketing the pads to merchant builders. They would anticipate an IRR of 30% for raw unentitled land with some entitlement "clean-up" involved. A recent example of this was the purchase of an industrial subdivision where they changed the entitlements to residential.

Roy Robertson of Ekotec - Mr. Robertson is an engineer and consultant to master plan developers. He previously worked for The Irvine Co. and has a great deal of experience of all levels of a master plan. For an unentitled property, the IRR requirements would be 20% to 30%. The lower end of the range would reflect those properties close to tentative maps.

Lin Stinson of Providence Realty Group - Mr. Stinson works with Security Capital and other private venture fund sources in acquiring land and joint venture partnerships in California and throughout the Pacific Southwest. He indicates that a yield rate in the low 20% range is required to attract capital to longer-term land holdings.

Gordon MacKenzie, formerly of Brookfield Development - Mr. MacKenzie has been directly involved with La Costa land holdings in San Diego County through two ownership's since the 1970's, up to the foreclosure with the Fieldstone Venture. When typical entitlement risk exists, he feels the IRR should be no less than 30%.

Dan Boyd of ESE Land Company and formerly of James Warrington Development indicated that merchant builder yield requirements were in the 20% range for traditionally financed tract developments. Larger land holdings would require 25% to 30% depending on the goals/patience of the funding partner. Environmentally challenged or politically risky development could well run in excess of 35% IRR with the possibility that some early entitlement/political work may be necessary before cooperative capital would become interested.

Higher profits are generally required for longer construction and sellout periods, as well as riskier projects. Profit is site specific with a number of factors to consider. These include, but are not limited to, the following:

- Entitlements
- Physical status of the property (raw/improved/partially improved)
- Moratoriums
- Endangered species
- Price range of the proposed units
- Construction/absorption period
- Location
- Amenities such as golf course orientation or views
- Future competition

Profit is estimated based on the perspective of a new buyer, not the current owner. The profit must be sufficient to attract investment based on the relative risks of the project.

While the subject property is still considered to exhibit a certain degree of risk, the positive attributes of the subject include: 1) the tentative map approval and/or final map recordation of the developments, 2) the stable market acceptance exhibited by sales within other developments in the area, and 3) the population and employment trends for the Roseville/Rocklin submarket. All of these factors tend to lessen the perceived risk of the subject.

Based on the specifics of the subject property discussed throughout the report, a discount rate towards the middle of the range reflected by the survey respondents appears reasonable. Thus, a discount factor of 18%, inclusive of developer's profit, will be utilized in this analysis.

Conclusion

After deriving the four components of the subdivision development approach, the discounted cash flow and hypothetical market value conclusion of the subject property is offered on the following page. The discounted cash flow analysis is calculated on a quarterly basis; thus, the property tax calculation and discount rate have been adjusted to a quarterly basis as well.

DISCOUNTED CASH FLOW ANALYSIS

Assumptions:						
Designation	No. of Lots	Revenue				
Longmeadow						
Village 1	144	\$24,400,000				
Village 2 - Phase 1	145	\$17,970,000				
Village 2 - Phase 2	76	\$9,860,000				
Village 2 - Phase 3	109	\$13,520,000				
Village 2 - Phase 4	70	\$8,170,000				
Parkside Estates	35	\$2,350,000				
Total	579	\$81,270,000				
Income and Expense Analysis:						
Quarter (3 months)	1	2	3	4	Total	
Inflation Factor	1.0000	1.0125	1.0252	1.0380		
Sales	179	185	145	70	\$79	
Inventory	400	215	70	0		
Sales Revenue	\$31,750,000	\$23,672,250	\$18,422,058	\$8,480,221	\$82,324,528	
Expenses						
Administrative	(\$635,000)	(\$473,445)	(\$368,441)		(\$1,646,491)	
Marketing/Commissions	(\$1,270,000)	(\$946,890)	(\$736,882)	(\$169,604)	(\$3,292,981)	
Real Estate Taxes	(\$184,135)	(\$127,209)	(\$68,375)	(\$22,262)	(\$401,981)	
CFD Special Taxes	(\$163,336)	(\$112,840)	(\$60,652)	(\$19,747)	(\$356,575)	
AD Lien (Parkside Estates)	(\$11,375)	\$0	\$0	\$0	(\$11,375)	
Off-Site Development Costs	\$0	\$0	\$0	\$0	\$0	
Total Expenses	(\$2,263,846)	(\$1,660,384)	(\$1,234,330)	(\$550,822)	(\$5,709,402)	
NET INCOME	\$29,486,154	\$22,011,866	\$17,187,708	\$7,929,399	\$76,615,126	
Present Value Factor	0.95694	0.91573	0.87630	0.83856		
Discounted Cash Flow	\$28,216,415	\$20,156,925	\$15,061,530	\$6,649,287	\$70,084,157	
Net Present Value	\$70,084,157					
CONCLUSION OF VALUE BY DISCOUNTED CASH FLOW ANALYSIS (RD)						
					\$70,100,000	

FINAL CONCLUSION OF HYPOTHETICAL MARKET VALUE

The purpose of this appraisal has been to estimate the hypothetical market value (*fee simple estate*) of the subject property, assuming the completion of the primary infrastructure and facilities to be financed by the Longmeadow Porter Community Facilities District No. 1 bond issuance. The hypothetical market value estimate also accounts for the impact of the Special Tax securing the bonds. After analyzing current market information and trends, and in accordance with the definitions, certifications, assumptions and significant factors set forth in the attached document (please refer to pages 7 through 9), it is our opinion the hypothetical market value of the subject property, as of June 20, 2005, is...

Hypothetical Market Value:

\$70,100,000

EXPOSURE TIME

Exposure time is the period a property interest would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal. For a complete definition of exposure time, please reference the *Glossary of Terms* in the Addenda.

In attempting to estimate a reasonable exposure time for the subject property, we looked at both the historical exposure times of a number of sales, as well as current and past economic conditions. The real estate market in the Sacramento region has been very strong for the past several years. A transfer of residential properties in the region typically occurs within 6 to 12 months of exposure. Please reference the absorption section of the discounted cash flow analysis for information relating to specific projects. It is estimated the exposure time for the subject property would be within 12 months on a wholesale basis.

SALES HISTORY

Longmeadow

Title to the subject property is currently vested with John Mourier Construction Inc., who acquired the property in May 2004 from Roseville Technology Park Associates LLC for a purchase price of \$20,386,080, or approximately \$6.00 per square foot. As of the date of contract, December 19, 2002, the subject property was zoned M-1, Light Industrial. The purchase of the property was contingent on the property being rezoned to a residential zoning designation and tentative map approval. According to the City of Roseville Planning Department, the subject property received tentative map approval in April 2004 with the rezone being officially approved in May 2004, which is approximately 17 months after the date of contract. Based on the proposed improvements (544 lots) and the aforementioned sale price, the subject property sold for approximately \$37,474 per lot. The sale was an arm's length, all cash transaction. Given the improvement in market conditions in the Roseville/Rocklin market area since the date of contract, the sale price is not considered indicative of current market value.

Parkside Estates

The 35 lots comprising the Parkside Estates development transferred between Sid Dunmore (Dunmore Homes), grantor, and JMC Homes, grantee, for \$4,725,000, or \$135,000 per unimproved lot. The contract was dated April 2004, and escrow closed in June 2004. Market conditions have steadily improved since the sale date; therefore, the transaction price is not deemed representative of current market value. This was an arm's length, all cash transaction with no unusual contingencies. To the best of our knowledge, the subject has not been involved in any other arm's length transactions within the previous three years. There are four floor plans within the development ranging from 3,031 to 3,525 square feet that are being marketed at \$669,990 to \$743,990.

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT

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

Definitions

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

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

"Agreement" means the Fiscal Agent Agreement dated as of November 1, 2005, by and between the City and the Trustee, as it may be amended or supplemented from time to time by any Supplemental Agreement.

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

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

"Bond Counsel" means any attorney or firm of attorneys acceptable to the City and nationally recognized for expertise in rendering opinions as to the legality and tax-exempt status of securities issued by public entities.

"Bond Year" means each twelve-month period beginning on September 2 in any year and extending to the next succeeding September 1, both dates inclusive; except that the first Bond Year shall begin on the Closing Date and end on September 1, 2006.

"Bonds" means the City of Roseville Longmeadow Parkside Community Facilities District No. 1 Special Tax Bonds Series 2005 at any time Outstanding under the Fiscal Agent Agreement or any amendment thereto.

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

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

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

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

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

"Continuing Disclosure Agreement" means the Continuing Disclosure Agreement, dated as of November 1, 2005, by and among the City and Economic & Planning Systems, in its capacity as Dissemination Agent, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

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

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

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

"Debt Service Account" means the account of the Special Tax Fund by that name established under the Fiscal Agent Agreement.

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

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

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

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

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

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

"Information Services" means Financial Information, Inc.'s "Daily Called Bond Service," 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Mergent/FIS, Inc., 5250 77 Center Drive, Suite 150, Charlotte, North Carolina 28217, Attn: Called Bond Dept.; Kenny S&P, 55 Water Street, 45th Floor, New York, New York 10041, Attention: Notification Department; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such services providing information with respect to called bonds as a City representative may designate to the Fiscal Agent.

"Interest Payment Dates" means March 1 and September 1 of each year, commencing March 1, 2006.

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

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

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

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

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

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

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

"Permitted Investments" means any of the following, to the extent that they are lawful investments for City funds at the time of investment, and are acquired at Fair Market Value (the Fiscal Agent entitled to rely upon investment direction from the City as a certification that such investment constitutes a legal investment):

- (i) Federal Securities;
- (ii) any of following obligations of federal agencies not guaranteed by the United States of America: (a) debentures issued by the Federal Housing Administration; (b) participation certificates or senior debt obligations of the Federal Home Loan Mortgage Corporation or Farm Credit Banks (consisting of Federal Land Banks, Federal Intermediate Credit Banks or Banks for Cooperatives); (c) bonds or debentures of the Federal Home Loan Bank Board established under the Federal Home Loan Bank Act, bonds of any federal home loan bank established under said act and stocks, bonds, debentures, participations and other obligations of or issued by the Federal National Mortgage Association, the Student Loan Marketing Association, the Government National Mortgage Association and the Federal Home Loan Mortgage Corporation; and bonds, notes or other obligations issued or assumed by the International Bank for Reconstruction and Development;
- (iii) interest-bearing demand or time deposits (including certificates of deposit) in federal or State of California chartered banks (including the Fiscal Agent and its affiliates), provided that (a) in the case of a savings and loan association, such demand or time deposits shall be fully insured by the Federal Deposit Insurance Corporation, or the unsecured obligations of such savings and loan association shall be rated in one of the top two rating categories by a nationally recognized rating service, and (b) in the case of a bank, such demand or time deposits shall be fully insured by the Federal Deposit Insurance Corporation, or the unsecured obligations of such bank (or the unsecured obligations of the parent bank holding company of which such bank is the lead bank) shall be rated in one of the top two rating categories by a nationally recognized rating service;
- (iv) repurchase agreements with a registered broker/dealer subject to the Securities Investors Protection Corporation Liquidation in the event of insolvency, or any commercial bank provided that: (a) the unsecured obligations of such bank shall be rated in one of the top two rating categories by a nationally recognized rating service, or such bank shall be the lead bank of a banking holding company whose unsecured obligations are rated in one of the top two rating categories by a nationally recognized rating service; (b) the most recent reported combined capital, surplus and undivided profits of such bank shall be not less than \$100 million; (c) the repurchase obligation under any such repurchase obligation shall be required to be performed in not more than thirty (30) days; (d) the entity holding such securities as described in clause (c) shall have a pledged first security interest therein for the benefit of the Fiscal Agent under the California Commercial Code or pursuant to the book-entry procedures described by 31 C.F.R. 306.1 *et seq.* or 31 C.F.R. 350.0 *et seq.* and are rated in one of the top two rating categories by a nationally recognized rating service;
- (v) bankers acceptances endorsed and guaranteed by banks described in clause (iv) above;
- (vi) obligations, the interest on which is exempt from federal income taxation under Section 103 of the Code and which are rated in the one of the top two rating categories by a nationally recognized rating service;

(vii) money market funds which invest solely in Federal Securities or in obligations described in the preceding clause (ii) of this definition, or money market funds which are rated in the highest rating category by Standard & Poor's Ratings Services or Moody's Investor Service, including funds which are managed or maintained by the Fiscal Agent and its affiliates;

(viii) units of a taxable government money market portfolio comprised solely of obligations listed in (i) and (iv) above including those of Fiscal Agent and its affiliates;

(ix) any investment which is a legal investment for proceeds of the Bonds at the time of the execution of such agreement, and which investment is made pursuant to an agreement between the City or the Fiscal Agent or any successor Fiscal Agent and a financial institution or governmental body whose long term debt obligations are rated in one of the top two rating categories by a nationally recognized rating service;

(x) commercial paper of "prime" quality of the highest ranking or of the highest letter and numerical rating as provided for by Moody's Investors Service, or Standard and Poor's Corporation, of issuing corporations that are organized and operating within the United States and having total assets in excess of five hundred million dollars (\$500,000,000) and having an "AA" or higher rating for the issuer's debentures, other than commercial paper, as provided for by Moody's Investors Service or Standard and Poor's Corporation, and provided that purchases of eligible commercial paper may not exceed 180 days maturity nor represent more than 10 percent of the outstanding paper of an issuing corporation;

(xi) any general obligation of a bank or insurance company whose long term debt obligations are rated in one of the two highest rating categories of a national rating service;

(xii) shares in a common law trust established pursuant to Title 1, Division 7, Charter 5 of the Government Code of the State which invests exclusively in investments permitted by Section 53635 of Title 5, Division 2, Chapter 4 of the Government Code of the State, as it may be amended;

(xiii) 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"); or

(xiii) the Local Agency Investment Fund established pursuant to Section 16429.1 of the Government Code of the State of California, *provided, however*, that the Fiscal Agent shall be permitted to make investments and withdrawals in its own name and the Fiscal Agent may restrict investments in the such fund if necessary to keep moneys available for the purposes of the Fiscal Agent Agreement.

(xiv) any other lawful investment for City funds.

"Principal Office" means the corporate trust office of the Fiscal Agent in San Francisco, California, or such other or additional offices as may be designated by the Fiscal Agent.

"Project" means the acquisitions and improvements described in the Resolution of Intention.

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

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

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

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

"Resolution" means Resolution No. 05-538, adopted by the City Council of the City on October 19, 2005, which resolution, among other matters, authorized the issuance of the Bonds.

"Resolution of Formation" means Resolution No. 05-536, adopted by the City Council of the City on October 19, 2005, establishing the District for the purpose of providing for the financing of certain public facilities in and for such District.

"Securities Depositories" means The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Fax-(516) 227-4039 or 4190; Midwest Securities Trust Company, Capital Structures-Call Notification, 440 South LaSalle Street, Chicago, Illinois 60605, Fax-(312) 663-2343; Philadelphia Depository Trust Company, Reorganization Division, 1900 Market Street, Philadelphia, Pennsylvania 19103, Attention Bond Department, Dex-(215) 496-5058; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the City may designate in an Officer's Certificate delivered to the Fiscal Agent.

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

"Special Taxes" means the special taxes levied within the District pursuant to the Act, the Ordinance and the Fiscal Agent Agreement.

"Supplemental Agreement" means an agreement the execution of which is authorized by a resolution which has been duly adopted by the City under the Act and which agreement is amendatory of or supplemental to the Fiscal Agent Agreement, but only if and to the extent that such agreement is specifically authorized under the Fiscal Agent Agreement.

"Treasurer" means the duly acting Treasurer of the City or if the City has no Treasurer, the Administrative Services Director of the City.

Special Tax Revenues; Flow of Funds

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

Special Tax Fund.

Establishment of Special Tax Fund. There is established under the Fiscal Agent Agreement as a separate fund to be held by the Treasurer, the Westpark Community Facilities District No. 1 Special Tax Bonds, Series 2005, Special Tax Fund, to the credit of which the City shall deposit, immediately upon receipt, all Special Tax Revenues received by the City and any amounts required by the Fiscal

Agent Agreement to be deposited therein. Within the Special Tax Fund, the Treasurer will establish and maintain two accounts: (i) the Debt Service Account, to the credit of which the City will deposit, immediately upon receipt, all Special Tax Revenues, and (ii) the Surplus Account, to the credit of which the City will deposit, immediately upon receipt, surplus Special Tax Revenues, as described below. Moneys in the Special Tax Fund will be disbursed as provided below and, pending any disbursement, will be subject to a lien in favor of the Owners of the Bonds.

All Special Tax Revenues shall be deposited in the Debt Service Account upon receipt. No later than ten (10) Business Days prior to each Interest Payment Date, the City will withdraw from the Debt Service Account of the Special Tax Fund and transfer (i) to the Fiscal Agent for deposit in the Reserve Fund an amount such that the amount then on deposit therein is equal to the Reserve Requirement, and (ii) to the Fiscal Agent for deposit in the Bond Fund an amount, taking into account any amounts then on deposit in the Bond Fund such that the amount in the Bond Fund equals the principal, premium, if any, and interest due on the Bonds on the next Interest Payment Date. At such time as deposits to the Debt Service Account equal the principal, premium, if any, and interest becoming due on the Bonds for the current Bond Year, including any mandatory sinking fund payments required to be made, and the amount needed to restore the Reserve Fund balance to the Reserve Requirement, the amount in the Debt Service Account in excess of such amount may, at the discretion of the City, be transferred to the Surplus Account, which will occur on or after September 15th of each year.

Bond Fund.

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

Disbursements. On each Interest Payment Date, the Fiscal Agent shall withdraw from the Bond Fund and pay to the Owners of the Bonds the principal of, and interest and any premium, then due and payable on the Bonds, including any amounts due on the Bonds by reason of the sinking payments set forth in the Fiscal Agent Agreement or any redemption of the Bonds pursuant to the Fiscal Agent Agreement.

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

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

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

Reserve Fund.

There is established in the Fiscal Agent Agreement as a separate fund to be held by the Fiscal Agent the Westpark Community Facilities District No. 1 Special Tax Bonds Reserve Fund. In lieu of funding the Reserve Fund with cash or in replacement thereof, the Reserve Fund may be funded with a Reserve Fund Credit Instrument. Moneys in the Reserve Fund shall be held in trust by the Fiscal Agent for the benefit of the Owners of the Bonds as a reserve for the payment of principal of, and interest on, the Bonds and shall be subject to a lien in favor of the Owners of the Bonds.

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

Transfer of Excess of Reserve Requirement. Whenever, on the Business Day prior to any Interest Payment Date, the amount in the Reserve Fund exceeds the then applicable Reserve Requirement, the Fiscal Agent shall transfer an amount equal to the excess from the Reserve Fund to the Improvement Fund, if the Improvements have not been completed as of the date of such transfer, or if the Improvements have been completed, to the Bond Fund to be used for the payment of the principal of and interest on the Bonds.

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

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

Improvement Fund.

Establishment of Improvement Fund. There is established in the Fiscal Agent Agreement as a separate fund to be held by the Fiscal Agent, the Westpark Community Facilities District No. 1 Special Tax Bonds Improvement Fund to the credit of which a deposit shall be made as required by the Fiscal Agent Agreement. Moneys in the Improvement Fund shall be disbursed as provided in the Fiscal Agent Agreement for the payment or reimbursement of costs of the Project.

Procedure for Disbursement. Disbursements from the Improvement Fund shall be made as determined by the Administrative Services Director for the payment or reimbursement of the costs of the Project, including for costs of acquisition of portions of the Project in accordance with the Acquisition Agreement.

Investment. Moneys in the Improvement Fund and the accounts established thereunder shall be invested and deposited in accordance with the Fiscal Agent Agreement. Interest earnings and profits from the investment of amounts in the Improvement Fund shall be retained in the Improvement Fund to be used for the purposes of the Improvement Fund.

Closing of Fund. Upon the filing of an Officer's Certificate stating that the portion of the Project to be financed from the Improvement Fund and the accounts established thereunder has been completed and that all costs of such portion of the Improvements have been paid or are not required to be paid from the Improvement Fund, the Fiscal Agent shall transfer the amount, if any, remaining in the Improvement Fund to the Fiscal Agent for deposit in the Bond Fund for application to the payment of principal of and interest on the Bonds in accordance with the Fiscal Agent Agreement and the Improvement Fund shall be closed.

Costs of Issuance Fund.

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

Disbursement. Amounts in the Costs of Issuance Fund shall be disbursed from time to time to pay Costs of Issuance, as set forth in a requisition containing respective amounts to be paid to the designated payees, signed by the Treasurer or Administrative Services Director or a designee thereof and delivered to the Fiscal Agent. The Fiscal Agent shall maintain the Costs of Issuance Fund for a period of six months, from the Closing Date and then shall transfer any moneys remaining therein, including any investment earnings thereon, to the Treasurer for deposit by the Treasurer in the Special Tax Fund. Thereafter, every invoice received by the Fiscal Agent shall be submitted to the Treasurer or Administrative Services Director for payment from amounts on deposit in the Special Tax Fund.

Certain Covenants of the City

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

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

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

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

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

percent (10%) of the principal amount of the Bonds then Outstanding, or their representatives duly authorized in writing.

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

Compliance with Law: Completion of Project. The City will comply with all applicable provisions of the Act and the law in completing the acquisition and construction of the Project; provided that the City shall have no obligation to advance any funds to complete the Project in excess of the amounts available therefor in the Improvement Fund.

Collection of Special Tax Revenues. The City shall comply with all requirements of the Act so as to assure the timely collection of Special Tax Revenues, including without limitation, the enforcement of delinquent Special Taxes. On or within five (5) Business Days of each June 1, the Fiscal Agent shall provide the Treasurer and Administrative Services Director with a notice stating the amount then on deposit in the Bond Fund and the Reserve Fund. The receipt of such notice by the Treasurer and Administrative Services Director shall in no way affect the obligations of the Treasurer or Administrative Services Director under the following two paragraphs. Upon receipt of such notice, the Treasurer shall communicate with the Administrative Services Director to ascertain the relevant parcels on which the Special Taxes are to be levied, taking into account any parcel splits during the preceding and then current year.

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

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

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

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

Investments; Disposition of Investment Proceeds

Deposit and Investment of Moneys in Funds. Moneys in any fund or account created or established by the Fiscal Agent Agreement and held by the Fiscal Agent shall be invested by the Fiscal Agent in Permitted Investments, as directed pursuant to an Officer's Certificate filed with the Fiscal Agent at least two Business Days in advance of the making of such investments.

The Fiscal Agent or the Treasurer, as applicable, shall sell or present for redemption, any investment security whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such investment security is credited and neither the Fiscal Agent nor the Treasurer shall be liable or responsible for any loss resulting from the acquisition or disposition of such investment security in accordance with the Fiscal Agent Agreement.

Rebate of Excess Investment Earnings to the United States.

The City covenants to calculate and rebate to the federal government, in accordance with the Regulations, excess investment earnings to the extent required by Section 148(f) of the Code. The City shall notify the Fiscal Agent of any amounts determined to be due to the federal government, and the Fiscal Agent shall, upon receipt of an Officer's Certificate of the City, withdraw such amounts from the Reserve Fund pursuant to the Fiscal Agent Agreement, and pay such amounts to the federal government as required by the Code and the Regulations. In the event of any shortfall in amounts available to make such payments, the Fiscal Agent shall notify the Administrative Services Director in writing of the amount of the shortfall and the Administrative Services Director shall make such payment from any amounts available in the Special Tax Fund.

The Fiscal Agent

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

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

If no appointment of a successor Fiscal Agent has been made within thirty (30) days after the Fiscal Agent has given to the City written notice or after a vacancy in the office of the Fiscal Agent shall have occurred by reason of its inability to act, the Fiscal Agent or any Bondowner may apply to any court of competent jurisdiction to appoint a successor Fiscal Agent. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Fiscal Agent.

Modification or Amendment of Fiscal Agent Agreement

The Fiscal Agent Agreement and the rights and obligations of the City and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Agreement pursuant to the affirmative vote at a meeting of Owners, or with the written consent without a meeting, of the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Fiscal Agent Agreement. No such modification or amendment shall (i) extend the maturity of any Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the City to pay the principal of, and the interest and any premium on, any Bond, without the express consent of the Owner of such Bond, or (ii) permit the creation by the City of any pledge or lien upon the Special Taxes superior to or on a parity with the pledge and lien created for the benefit of the

Bonds (except as otherwise permitted by the Act, the laws of the State of California or the Fiscal Agent Agreement), or reduce the percentage of Bonds required for the amendment of the Fiscal Agent Agreement. No such amendment may modify any of the rights or obligations of the Fiscal Agent without its written consent.

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

(A) to add to the covenants and agreements of the City in the Fiscal Agent Agreement contained, other covenants and agreements thereafter to be observed, or to limit or surrender any right or power in the Fiscal Agent Agreement reserved to or conferred upon the City;

(B) to make modifications not adversely affecting any outstanding series of Bonds of the City in any material respect;

(C) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Fiscal Agent Agreement, or in regard to questions arising under the Fiscal Agent Agreement, as the City and the Fiscal Agent may deem necessary or desirable, and which shall not adversely affect the rights of the Owners of the Bonds;

(D) to make such additions, deletions or modifications as may be necessary or desirable to assure compliance with Section 148 of the Code relating to required rebate of excess investment earnings to the United States or otherwise as may be necessary to assure exclusion from gross income for federal income tax purposes of interest on the Bonds or to conform with the Regulations.

Procedure for Amendment with Written Consent of Owners. The City and the Fiscal Agent may at any time enter into a Supplemental Agreement amending the provisions of the Bonds or of the Fiscal Agent Agreement or any Supplemental Agreement, to the extent that such amendment is permitted by the Fiscal Agent Agreement. A copy of such Supplemental Agreement, together with a request to Owners for their consent thereto, if such consent is required, shall be mailed by first class mail, by the Fiscal Agent to each Owner of Bonds Outstanding, but failure to mail copies of such Supplemental Agreement and request shall not affect the validity of the Supplemental Agreement when assented to as in the Fiscal Agent Agreement.

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

Miscellaneous

Discharge of Agreement. If the City has paid and discharged the entire indebtedness on all or any portion of the Bonds Outstanding in any one or more of the following ways:

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

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

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

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

Any funds thereafter held by the Fiscal Agent upon payments of all fees and expenses of the Fiscal Agent, which are not required for said purpose, shall be paid over to the City.

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

Except as otherwise expressly provided in the Fiscal Agent Agreement, the fact and date of the execution by any Owner or his attorney of such request, consent, declaration or other instrument, or of such writing appointing such attorney, may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request, declaration or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer.

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

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

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

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APPENDIX D

THE CITY OF ROSEVILLE AND PLACER COUNTY

The District is located in the City of Roseville in Southwestern Placer County. The financial and economic data for the City are presented for information purposes only. The Bonds are not a debt or obligation of the City or the County, but are a limited obligation of the City secured solely by the funds held pursuant to the Fiscal Agent Agreement.

The City of Roseville is located in Placer County, in California's Sacramento Valley near the foothills of the Sierra Nevada mountain range, about 16 miles northeast of Sacramento and 110 miles east of San Francisco. The City, with a population estimated to be approximately 102,191 at January 1, 2005, is the largest city in Placer County, as well as the residential and industrial center of the County.

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

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

Municipal Government

The City was incorporated on April 10, 1909 and is a charter city. The City operates under the council-manager form of government, with a five-member City Council elected at large for staggered four-year terms. At each election, the council member receiving the most votes is appointed mayor pro-tempore for two years and becomes mayor for the final two years.

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

Population

The City's population has increased substantially over the past five years. The 2005 population estimate represents a 3.85% annual growth rate, just above Placer County's overall annual growth rate of 3.07%. The City's growth in population is shown below.

City of Roseville Population - 2000 through 2005

<u>Year</u>	<u>City of Roseville</u>	<u>Placer County</u>	<u>State of California</u>
2000	79,300	246,100	33,753,000
2001	82,200	255,100	34,367,000
2002	85,800	265,700	35,000,000
2003	93,300	283,500	35,612,000
2004	96,900	292,100	36,144,000
2005	102,191	305,675	36,810,358

Source: California State Department of Finance.

Employment and Industry

The following table summarizes the civilian labor force, employment and unemployment, as well as employment by industry, in the Sacramento Metropolitan Statistical Area (which is comprised of Sacramento, Placer and El Dorado Counties) for the years 2000 through 2004.

Sacramento Metropolitan Statistical Area (Sacramento, Placer and El Dorado Counties) Civilian Labor Force, Employment and Unemployment (Annual Averages)

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Civilian Labor Force ⁽¹⁾	906,100	932,300	964,400	990,500	1,000,800
Employment	867,200	890,700	911,500	934,400	950,600
Unemployment	38,900	41,600	52,900	56,100	50,200
Unemployment Rate	4.3%	4.5%	5.5%	5.7%	5.0%
<u>Wage and Salary Employment:</u> ⁽²⁾					
Agriculture	4,000	4,000	3,400	7,500	7,400
Natural Resources and Mining	900	900	800	700	700
Construction	52,900	59,500	61,300	66,500	70,400
Manufacturing	51,600	49,800	47,000	46,300	47,100
Wholesale Trade	25,000	25,800	25,600	26,300	26,400
Retail Trade	89,600	91,600	92,700	94,900	96,900
Transportation, Warehousing and Utilities	23,500	23,300	22,400	21,900	23,000
Information	18,500	22,300	23,100	21,900	20,900
Finance and Insurance	38,400	38,700	41,300	44,800	45,200
Real Estate and Rental and Leasing	13,600	13,700	13,900	14,600	14,900
Professional and Business Services	105,400	99,300	96,100	95,800	97,500
Educational and Health Services	70,300	75,900	78,000	81,000	84,500
Leisure and Hospitality	70,100	72,200	75,200	77,300	79,400
Other Services	26,700	27,700	28,200	28,000	28,400
Federal Government	15,500	12,800	12,700	12,900	12,400
State Government	101,200	106,200	108,200	106,700	102,300
Local Government	94,000	99,100	105,900	106,600	106,400
Total, All Industries	801,100	822,900	835,600	853,500	863,600

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

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

Source: State of California Employment Development Department.

Major Employers

The following table sets forth the largest employers in the City.

CITY OF ROSEVILLE Major Employers June 30, 2004

<u>Employer Name</u>	<u>No. of Employees</u>
Hewlett-Packard	3,803
Kaiser Permanente	3,000
Sutter Roseville Medical Center	1,800
Union Pacific Railroad	1,294
City of Roseville	1,046
Roseville Joint Union High School District	982
Pride Industries	800
NEC Electronics	725
SureWest Communications	683
State Farm Insurance	560

Source: City of Roseville.

Construction

The following table shows residential and non-residential building permits issued, for calendar years 2000 through 2004.

City of Roseville Building Permit Valuation (Valuation in Thousands of Dollars)

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
<u>Permit Valuation</u>					
New Single-family	\$943,358.1	\$356,214.1	\$526,365.7	\$384,045.3	\$251,956.9
New Multi-family	119,207.0	61,930.6	78,999.5	42,747.2	7,863.7
Res. Alterations/Additions	<u>32,390.0</u>	<u>2,455.9</u>	<u>2,649.5</u>	<u>2,374.4</u>	<u>3,781.0</u>
Total Residential	1,094,955.0	420,600.6	608,014.8	429,166.9	263,601.6
New Commercial	43,818.8	50,213.0	105,953.3	91,323.3	88,982.1
New Industrial	15,237.0	6,214.0	2,922.5	3,883.9	13,600.2
New Other	17,908.4	11,554.4	22,969.7	23,697.7	25,404.3
Com. Alterations/Additions	<u>65,857.6</u>	<u>40,608.4</u>	<u>34,272.8</u>	<u>37,062.9</u>	<u>43,987.8</u>
Total Nonresidential	\$142,821.7	\$108,589.8	\$166,118.3	\$155,967.7	\$171,974.3
<u>New Dwelling Units</u>					
Single Family	4,745	1,456	2,300	1,467	1,105
Multiple Family	<u>1,634</u>	<u>762</u>	<u>914</u>	<u>474</u>	<u>93</u>
Total New Dwelling Units	6,379	2,218	3,214	1,941	1,108

Source: Construction Industry Research Board, Building Permit Summary.

Taxable Sales

During the first three quarters of calendar year 2004, reported total taxable sales in the City were reported to be \$2,649,551,000, a 10.2% increase over total taxable transactions of \$2,405,004,000 that were reported during the first three quarters of calendar year 2003. Taxable transactions in the City now exceed \$2 billion annually. A summary of taxable transactions in the City is shown below. Annual figures for 2004 are not yet available.

**City of Roseville
Taxable Transactions
Calendar Years 1999 through 2003
(Dollars in thousands)**

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Apparel stores	\$ 32,672	\$ 67,603	\$ 110,463	\$ 118,936	128,694
General merchandise stores	216,270	306,446	370,924	418,267	467,494
Food stores	56,650	64,750	66,469	75,978	93,286
Eating and drinking places	114,344	140,862	177,347	195,011	214,558
Home furnishing and appliances.	46,138	59,436	82,000	96,700	108,737
Building material and farm implements	127,130	146,088	174,920	217,298	251,148
Auto dealers and auto supplies	767,375	879,626	938,034	1,026,213	1,125,482
Service stations	60,337	84,345	90,944	89,200	114,336
Other retail stores	<u>187,597</u>	<u>273,708</u>	<u>341,119</u>	<u>376,465</u>	<u>412,610</u>
Retail Stores Totals	1,608,513	2,022,864	2,352,220	2,614,068	2,916,345
All Other Outlets	<u>404,427</u>	<u>372,430</u>	<u>404,367</u>	<u>374,189</u>	<u>372,114</u>
TOTAL ALL OUTLETS	<u>\$2,012,940</u>	<u>2,395,294</u>	<u>2,756,587</u>	<u>\$2,988,257</u>	<u>3,288,459</u>
 TOTAL NUMBER OF PERMITS	 2,482	 2,637	 2,967	 3,348	 3,909

Source: California State Board of Equalization.

APPENDIX E
FORM OF OPINION OF BOND COUNSEL

_____, 2005

City Council
City of Roseville
311 Vernon Street
Roseville, California 94111

OPINION: \$9,165,000 City of Roseville Longmeadow Parkside Community Facilities District
 No. 1 (Public Facilities) Special Tax Bonds Series 2005

Members of the City Council:

We have acted as bond counsel in connection with the issuance by the City of Roseville (the "City") of \$9,165,000 City of Roseville Longmeadow Parkside Community Facilities District No. 1 (Public Facilities) Special Tax Bonds Series 2005 (the "Bonds"), pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, constituting Section 53311, et seq. of the California Government Code (the "Act") and a Fiscal Agent Agreement dated as of November 1, 2005 (the "Fiscal Agent Agreement") by and between the City on behalf of the City of Roseville Longmeadow Parkside Community Facilities District and The Bank of New York Trust Company, N.A.. We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

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

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

1. The City is duly created and validly existing as a public body, corporate and politic, with the power to adopt the resolution authorizing the issuance of the Bonds, enter into the Fiscal Agent Agreement, and perform the agreements on its part contained therein and issue the Bonds.

2. The Bonds have been duly authorized, executed and delivered by the City and are valid and binding limited obligations of the City, payable solely from the sources provided therefor in the Fiscal Agent Agreement.

3. The Fiscal Agent Agreement has been duly entered into by the City and constitutes a valid and binding obligation of the City enforceable upon the City.

4. Pursuant to the Act the Fiscal Agent Agreement creates a valid lien on the funds pledged by the Fiscal Agent Agreement.

3. 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 opinion set forth in the preceding sentence is subject to the condition that the City 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 such interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The City 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 Fiscal Agent Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully submitted,

APPENDIX F

FORM OF CONTINUING DISCLOSURE UNDERTAKINGS

CONTINUING DISCLOSURE AGREEMENT (City)

THIS CONTINUING DISCLOSURE AGREEMENT (the "Disclosure Agreement") is dated as of _____, 2005, is by and between the City of Roseville, a public body, corporate and politic, organized and existing under and by virtue of the laws of the State of California (the "Issuer" or the "City"), and Economic & Planning Systems, Sacramento, California, in its capacity as Dissemination Agent (the "Dissemination Agent").

WITNESSETH:

WHEREAS, pursuant to a Fiscal Agent Agreement dated as of November 1, 2005 (the "Fiscal Agent Agreement") by and between the City and The Bank of New York Trust Company, N.A., as the Fiscal Agent, the City has issued its City of Roseville Longmeadow Parkside Community Facilities District No. 1 (Public Facilities) Special Tax Bonds Series 2005 (the "Bonds"), in the aggregate principal amount of \$9,165,000; and

WHEREAS, this Disclosure Agreement is being executed and delivered by the City and the Dissemination Agent for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter of the Bonds in complying with Securities and Exchange Commission Rule 15c2-12(b)(5);

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

SECTION 1. Definitions. In addition to the definitions set forth in the Agreement, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 2 and 3 of this Disclosure Agreement.

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

"Disclosure Representative" shall mean the designees of the City to act as the disclosure representative.

"Dissemination Agent" shall mean Economic & Planning Systems, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the City.

"Listed Events" shall mean any of the events listed in Section 4(a) of this Disclosure Agreement and any other event legally required to be reported pursuant to the Rule.

"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" means the Official Statement, dated November 3, 2005, 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 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" shall mean the State of California.

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

SECTION 2. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than January 15 after the end of the City's fiscal year, commencing with the fiscal year ending June 30, 2005 (for the report due January 15, 2006), provide to each Repository an Annual Report which is consistent with the requirements of Section 3 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 3 of this Disclosure Agreement. Not later than fifteen (15) Business Days prior to said date, the City shall provide the Annual Report to the Dissemination Agent. The City shall provide an Officer's Certificate with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder. The Dissemination Agent may conclusively rely upon such Officer's Certificate of the City.

(b) If by fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the Repositories, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with subsection (a).

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the Repositories by the date required in subsection (a), the Dissemination Agent shall provide to (i) each National Repository or the Municipal Securities Rulemaking Board and (ii) each

appropriate State Repository (with a copy to the Trustee) a notice, in substantially the form attached as Exhibit A.

- (d) With respect to the Annual Report, 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 the State Repository, if any; and
 - (i) (if the Dissemination Agent is other than the City), to the extent appropriate information is available to it, file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

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

- (a) The following information:
 - 1. Principal amount of Bonds outstanding.
 - 2. Balance in the improvement fund or construction account.
 - 3. Balance in debt service reserve fund, and statement of the reserve fund requirement. Statement of projected reserve fund draw, if any.
 - 4. Balance in other funds and accounts held by Issuer or fiscal agent related to the Bonds.
 - 5. Additional debt authorized by the City and payable from or secured by assessments or special taxes with respect to property within the District.
 - 6. The Special Tax levy, the delinquency rate, total amount of delinquencies, number of parcels delinquent in payment for the five most recent fiscal years.
 - 7. Notwithstanding the June 30th reporting date for the Annual Report, the following information shall be reported as of the last day of the month immediately preceding the date of the Annual Report rather than as of June 30th. Identity of each delinquent taxpayer responsible for 5 percent or more of total special tax/assessment levied, and the following information: assessor parcel number, assessed value of applicable properties, amount of Special Tax levied, amount delinquent by parcel number and status of foreclosure proceedings. If any foreclosure has been completed, summary of results of foreclosure sales or transfers.
 - 8. Most recently available total assessed value of all parcels subject to the special tax or assessment.
 - 9. List of landowners and assessor's parcel number of parcels subject to 20 percent or more of the Special Tax levy including the following information: development status to the extent shown in City records, land use classification, assessed value (land and improvements).

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

THE CITY'S ANNUAL FINANCIAL STATEMENT IS PROVIDED SOLELY TO COMPLY WITH THE SECURITIES EXCHANGE COMMISSION STAFF'S INTERPRETATION OF RULE 15C2-12. NO FUNDS OR ASSETS OF THE CITY OF ROSEVILLE (OTHER THAN THE PROCEEDS OF THE SPECIAL TAXES LEVIED FOR THE LONGMEADOW PARKSIDE COMMUNITY FACILITIES DISTRICT AND SECURING THE BONDS) ARE REQUIRED TO BE USED TO PAY DEBT SERVICE ON THE BONDS AND THE CITY IS NOT OBLIGATED TO ADVANCE AVAILABLE FUNDS FROM THE CITY TREASURY TO COVER ANY DELINQUENCIES. INVESTORS SHOULD NOT RELY ON THE FINANCIAL CONDITION OF THE CITY IN EVALUATING WHETHER TO BUY, HOLD OR SELL THE BONDS.

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

SECTION 4. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 4, the City shall give an Officer's Certificate including notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults.
3. Modifications to rights of Bondholders.
4. Optional, contingent or unscheduled Bond calls.
5. Defeasances.
6. Rating changes.
7. Adverse tax opinions or events affecting the tax-exempt status of the Bonds.
8. Unscheduled draws on the debt service reserves, if any, reflecting financial difficulties.
9. Unscheduled draws on credit enhancements reflecting financial difficulties.
10. Substitution of credit or liquidity providers, or their failure to perform.
11. Release, substitution, or sale of property securing repayment of the Bonds.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City shall as soon as possible determine if such event would constitute material information for Holders of Bonds, provided, that any event under subsection (a)(6) will always be defined to be material.

(c) If the City determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the City shall, or by written direction cause the Dissemination Agent (if not the City) to, promptly file a notice of such occurrence with (i) each National Repository or the Municipal Securities Rulemaking Board and (ii) each appropriate State Repository with a copy to the Trustee, together with written direction to the Trustee whether or not to notify the Bond holders of the filing of such notice. In the absence of any such direction, the Trustee shall not send such notice to the Bond holders. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(4) and 5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Certificates pursuant to the Indenture.

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

(e) If the Dissemination Agent has been instructed by the City to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the Repository. Notwithstanding the foregoing:

SECTION 5. Termination of Reporting Obligation. The obligations of the City, the Dissemination Agent under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 4(e) hereof. If the City's obligations under the Agreement are assumed in full by some other entity, such person shall be responsible for compliance with this Disclosure Agreement in the same manner as if it were the City, and the City shall have no further responsibility hereunder.

SECTION 6. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign at any time by providing at least 30 days' notice in writing to the Issuer and the City.

SECTION 7. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the City and the Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent shall agree to any amendment so requested by the Issuer, provided no amendment increasing or affecting the obligations or duties of the Dissemination Agent shall be made without the consent of either such party) and any provision of this Disclosure Agreement may be waived if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to the Issuer, the City and the Dissemination Agent to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

SECTION 8. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the City chooses to include

any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Agreement, the City shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 9. 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 City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their respective powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Bondholders, or any other party. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 10. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the City: City of Roseville
311 Vernon Street
Roseville, California 95678
Attn: CFD Administrator

To the Dissemination Agent: Economic & Planning Systems
1750 Creekside Oaks Drive, Suite 290
Sacramento, CA 95833

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

SECTION 11. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

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

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

CITY OF ROSEVILLE, for and on behalf of
City of Roseville Longmeadow Parkside
Community Facilities District No. 1 (Public
Facilities)

By: _____
Authorized Officer

ECONOMIC & PLANNING SYSTEMS, as
Dissemination Agent

By: _____
Authorized Officer

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Roseville

Name of Bond Issue: \$9,165,000 City of Roseville Longmeadow Parkside Community Facilities District No. 1 (Public Facilities) Special Tax Bonds Series 2005

Date of Issuance: November 17, 2005

NOTICE IS HEREBY GIVEN that the City of Roseville (the "City") on behalf of City of Roseville Longmeadow Parkside Community Facilities District No. 1 (Public Facilities) has not provided an Annual Report with respect to the above-named Bonds as required by the Fiscal Agent Agreement dated as of November 1, 2005 (the "Fiscal Agent Agreement") by and between the City and The Bank of New York Trust Company, N.A., as Fiscal Agent. The City anticipates that the Annual Report will be filed by _____.

Dated: _____

ECONOMIC & PLANNING SYSTEMS, as
Dissemination Agent, on behalf of City of
Roseville Longmeadow Parkside Community
Facilities District No. 1 (Public Facilities)

By: _____
Authorized Officer

cc: City of Roseville

**CONTINUING DISCLOSURE AGREEMENT
(Developer)**

THIS CONTINUING DISCLOSURE AGREEMENT (the "Disclosure Agreement") dated as of _____, 2005, is by and between John Mourier Construction, Inc. (the "Developer") and Economic & Planning Systems, Sacramento, California, in its capacity as Dissemination Agent (the "Dissemination Agent").

WITNESSETH:

WHEREAS, pursuant to the Fiscal Agent Agreement dated as of November 1, 2005 (the "Fiscal Agent Agreement"), by and between the City and the Dissemination Agent, in its capacity as Fiscal Agent thereunder, the City has issued its City of Roseville Longmeadow Parkside Community Facilities District No. 1 (Public Facilities) Special Tax Bonds Series 2005 (the "Bonds"), in the aggregate principal amount of \$9,165,000; and

WHEREAS, this Disclosure Agreement is being executed and delivered by the Developer and the Dissemination Agent for the benefit of the Holders and Beneficial Owners of the Bonds;

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

SECTION 1. Definitions. In addition to the definitions set forth in the Agreement, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Developer pursuant to, and as described in, Sections 2 and 3 of this Disclosure Agreement.

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

"Dissemination Agent" shall mean Economic & Planning Systems, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the City.

"Issuer" shall mean the City of Roseville, Placer County, California.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of 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. 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" means the Official Statement, dated, November 3, 2005, relating to the Bonds.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds.

"Project" shall mean the proposed subdivision within the District, as described in the Official Statement.

"Repository" shall mean each National Repository and each State Repository.

"State" shall mean the State of California.

SECTION 2. Provision of Annual Reports.

(a) The Developer shall, not later than April 1st of each year (reflecting reported information as of December 31st of the prior year) beginning with the report due April 1, 2006 and continuing while this agreement is in effect, provide to the Dissemination Agent an Annual Report which is consistent with the requirements of Section 3 of this Disclosure Agreement with a copy to the Issuer. The Developer shall provide a written certification with each Annual Report furnished to the Dissemination Agent and the Issuer to the effect that the Annual Report is being provided pursuant to this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement. If the Developer's fiscal year changes, it shall give notice of such change in the manner set forth under Section 4(c).

Additionally, the Developer shall provide to any party that so requests by a written request made within 30 days prior to any July 1, October 1 or January 1, beginning July 1, 2006, a quarterly report which is consistent with the requirements of Section 3 of this Disclosure Agreement, except that the reported information shall cover only the period from the April 1 next preceding the quarterly reporting date. Such quarterly report shall be delivered to the address given in the notice requesting such report, within 30 days after such applicable July 1, October 1 or January 1 requested report date.

(b) If by fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the Repositories, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Developer to determine if the Developer is in compliance with subsection (a).

(c) If the Developer is unable to provide to the Dissemination Agent an Annual Report by the date required in subsection (a), the Developer shall send a notice to the Dissemination Agent substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

- (i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and the State Repository, if any; and
- (ii) (if the Dissemination Agent is other than the Developer), to the extent appropriate information is available to it, file a report with the Developer certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 3. Content of Annual Reports. The Developer's Annual Report shall contain or incorporate by reference the following, if material:

(a) Any significant changes in the information contained in the Official Statement under the headings: "THE DISTRICT - Anticipated Development in the District" and the status of completion of the Improvements (as defined in the Official Statement).

(b) A general description of the development status of the parcels within the District.

(c) A summary of property within the District sold by the Developer since the date of the Official Statement.

(d) A description of any change in the legal structure of the Developer which is material to Bond investors.

(e) Material changes in Project costs, status of any construction loans and any permanent financing received by the Developer with respect to the Project that could have a significant impact on the Developer's ability to complete the construction and sale of homes within the District.

(f) Any denial of credit, lines of credit, loans or loss of source of capital that could have a significant impact on the Developer's ability to pay the Special Tax or other taxes or assessments or to comply with its obligations under the Development Agreement.

(g) Any failure by the Developer to pay when due general property taxes, assessments or special taxes with respect to its property in the District.

(h) Any previously undisclosed amendments to the land use entitlements or environmental conditions or other governmental conditions that are necessary to complete the development plan.

(i) A description of any changes to the Development Agreement which materially adversely affect the development of the property within the District as set forth in the Official Statement.

SECTION 4. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 4, the Developer shall give, to the Dissemination Agent, notice of the occurrence of any of the following events with respect to the Bonds, if material:

(i) failure to pay any real property taxes (including any assessments or special taxes) levied within the District on a parcel owned by the Developer.

(ii) the discovery of toxic material or hazardous waste which will require remediation on any property owned by the Developer subject to the Special Tax.

(iii) default by the Developer on any loan with respect to the construction or permanent financing of public or private improvements with respect to the Project.

- (iv) Initiation of Dissemination bankruptcy proceedings (whether voluntary or involuntary) by the Developer or any related entity.

(b) Whenever the Developer obtains knowledge of the occurrence of an event described in section (a), the Developer shall as soon as possible determine if such event would be material to Bond investors under applicable federal securities laws.

(c) If the Developer determines that knowledge of the occurrence of such event would be material under applicable federal securities laws, the Developer shall promptly provide a notice of such occurrence to the Dissemination Agent, with a copy to the Issuer.

SECTION 5. Termination of Reporting Obligation. The obligations of the Developer and the Dissemination Agent under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. In addition the Developer shall have no obligations hereunder if the Special Tax of the District on all property within the District owned by the Developer and affiliates or partners thereof is less than twenty percent (20%) of the total Special Tax for the entire District. If such termination occurs prior to the final maturity of the Bonds, the Developer shall give notice of such termination in the manner set forth under Section 4(c).

SECTION 6. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Developer and the Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent shall agree to any amendment so requested by the Developer, provided no amendment increasing or affecting the obligations or duties of the Dissemination Agent shall be made without the consent of either such party), 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 2(a), 3, or 4(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements or change in law;

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

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Developer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type of information being presented by the Developer.

SECTION 7. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Developer 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 material event, in addition to that which is required by this Disclosure Agreement. If the Developer chooses to include any information in any Annual Report or notice of occurrence of a material event in addition to that which is specifically required by this Disclosure Agreement, the Developer 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 material event.

SECTION 8. 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 Developer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their respective powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the Developer for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Bondholders, or any other party. The obligations of the Developer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 9. Subsequent Developers. The Developer will require, as a condition of sale of any property which the Developer sells within the Project resulting in a new owner who, together with affiliates or partners thereof, owns at least twenty percent (20%) of the total assessments for the entire District, that such purchaser execute an agreement substantially in the form of this Disclosure Agreement, unless this Disclosure Agreement, as it may be amended from time to time, by its own terms would not require the purchaser to provide any disclosure.

SECTION 10. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the Developer:	John Mourier Construction, Inc. 1830 Vernon Street, Suite 9 Roseville, CA 95678
To the Dissemination Agent:	Economic & Planning Systems 1750 Creekside Oaks Drive, Suite 290 Sacramento, CA 95833
To the Issuer/City:	City of Roseville 311 Vernon Street Roseville, CA 95678 Attn: CFD Administrator

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

SECTION 11. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

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

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

JOHN MOURIER CONSTRUCTION, INC.

By: _____

Its: _____

ECONOMIC & PLANNING SYSTEMS,
as Dissemination Agent

By: _____
Authorized Officer

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Roseville

Name of Bond Issue: \$9,165,000 City of Roseville, Longmeadow Parkside Community Facilities District No. 1 (Public Facilities), Special Tax Bonds, Series 2005

Date of Issuance: November 17, 2005

NOTICE IS HEREBY GIVEN that John Mourier Construction, Inc. (the "Developer") has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement of the Developer dated as of the date of issuance of such Bonds. The Developer anticipates that the Annual Report will be filed by _____.

Dated: _____

on behalf of the Dissemination Agent

By: _____

Its: _____

cc: Developer

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APPENDIX G

THE BOOK ENTRY SYSTEM

Book-Entry System

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

Purchases of the 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, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or 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 Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued. To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such securities are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed. Neither DTC nor Cede & Co. will consent or vote with respect to the Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to

an issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, mandatory redemption and interest payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on payment dates in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the date payable. 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, the Fiscal Agent or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the City or the Fiscal Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be responsibility of Direct and Indirect Participants.

The City cannot and does not give any assurances that DTC, DTC Participants or others will distribute payments of principal, interest or premium with respect to the Bonds paid to DTC or its nominee as the registered owner, or will distribute any redemption notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. The City is not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner with respect to the Bonds or an error or delay relating thereto.

The foregoing description of the procedures and record-keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interests in such Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Discontinuance of Book-Entry System

DTC may discontinue providing its services with respect to the Bonds at any time by giving notice to the Fiscal Agent and discharging its responsibilities with respect thereto under applicable law or the City may terminate participation in the system of book-entry transfers through DTC or any other securities depository at any time. In the event that the book-entry system is discontinued, the City will execute, and the Fiscal Agent will authenticate and make available for delivery, replacement Bonds in the form of registered bonds. In addition, the principal of and redemption premium, if any, on the Bonds will be payable as set forth in the Fiscal Agent Agreement and summarized above under the caption "Description of the Bonds." Bonds will be transferable and exchangeable on the terms and conditions provided in the Fiscal Agent Agreement. See "Transfer or Exchange of Bonds" above.



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