

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.

\$12,995,000

CITY OF ROSEVILLE

STONERIDGE WEST COMMUNITY FACILITIES DISTRICT NO. 1

SPECIAL TAX BONDS

SERIES 2001

Dated: Date of Delivery

Due: September 1, as shown below

The Bonds	The bonds captioned above (the "Bonds"), are being issued by the City of Roseville (the "City") by and through its Stoneridge West Community Facilities District No. 1 (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 "Mello-Roos Act"), and are issued pursuant to a Fiscal Agent Agreement dated as of October 1, 2001 (the "Fiscal Agent Agreement") by and between the City and BNY Western Trust Company, as fiscal agent (the "Fiscal Agent") thereunder. The Bonds are issued to (i) construct and acquire certain public facilities of benefit to the District; (ii) establish a reserve fund with respect to the Bonds, and (iii) pay the costs of issuance of the Bonds. Interest on the Bonds is payable March 1, 2002, and thereafter semiannually on March 1 and September 1 of each year.
Registration	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."
Security	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 such 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 delinquency, the City will establish a Reserve Fund as described herein. See "SECURITY FOR THE BONDS."
The District	Property in the District subject to the Special Tax comprises approximately 224 gross acres located in the eastern portion of the City. The property is planned to be developed as single-family homes in seven villages, as well as a public park. Five of the seven planned residential villages have received final subdivision maps, and home construction has begun in five of the seven villages. See "THE DISTRICT" and "OWNERSHIP OF PROPERTY WITHIN THE DISTRICT."
Early Redemption	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 (September 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price/ Yield</u>	<u>Maturity Date (September 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price/ Yield</u>
2002	\$300,000	3.25%	100%	2012	\$295,000	5.40%	100%
2003	195,000	3.60	100	2013	310,000	5.50	100
2004	205,000	3.85	100	2014	325,000	5.60	100
2005	210,000	4.10	100	2015	345,000	5.70	100
2006	220,000	4.40	100	2016	365,000	5.80	100
2007	230,000	4.60	100	2017	385,000	5.90	100
2008	240,000	4.85	100	2018	410,000	5.95	100
2009	250,000	5.00	100	2019	430,000	6.00	100
2010	265,000	5.15	100	2020	460,000	6.00	100
2011	280,000	5.30	100				

\$2,740,000 6.00% Term Bonds Due September 1, 2025—Price 99.75%

\$4,535,000 6.00% Term Bonds Due September 1, 2031—Yield 6.08%

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, A Professional Law Corporation 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 October 25, 2001 in New York, New York.

Stone & Youngberg LLC

The date of this Official Statement is October 11, 2001

CITY OF ROSEVILLE, CALIFORNIA

City Council

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

City Staff

Allen E. Johnson, *City Manager*
Russell Cochran Branson, *Finance Director*
Mark Doane, Esq., *City Attorney*
Carolyn Parkinson, *City Clerk*

SPECIAL SERVICES

Bond Counsel

Jones Hall, A Professional Law Corporation
San Francisco, California

Fiscal Agent

BNY Western Trust Company
San Francisco, California

Financial Advisor

Public Financial Management, Inc.
San Francisco, California

Appraiser

Seevers Jordan Ziegenmeyer
Roseville, California

Special Tax Consultant

Economic & Planning Systems, Inc.
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" within the meaning of the Private Securities Litigation Reform Act of 1995. 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.

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

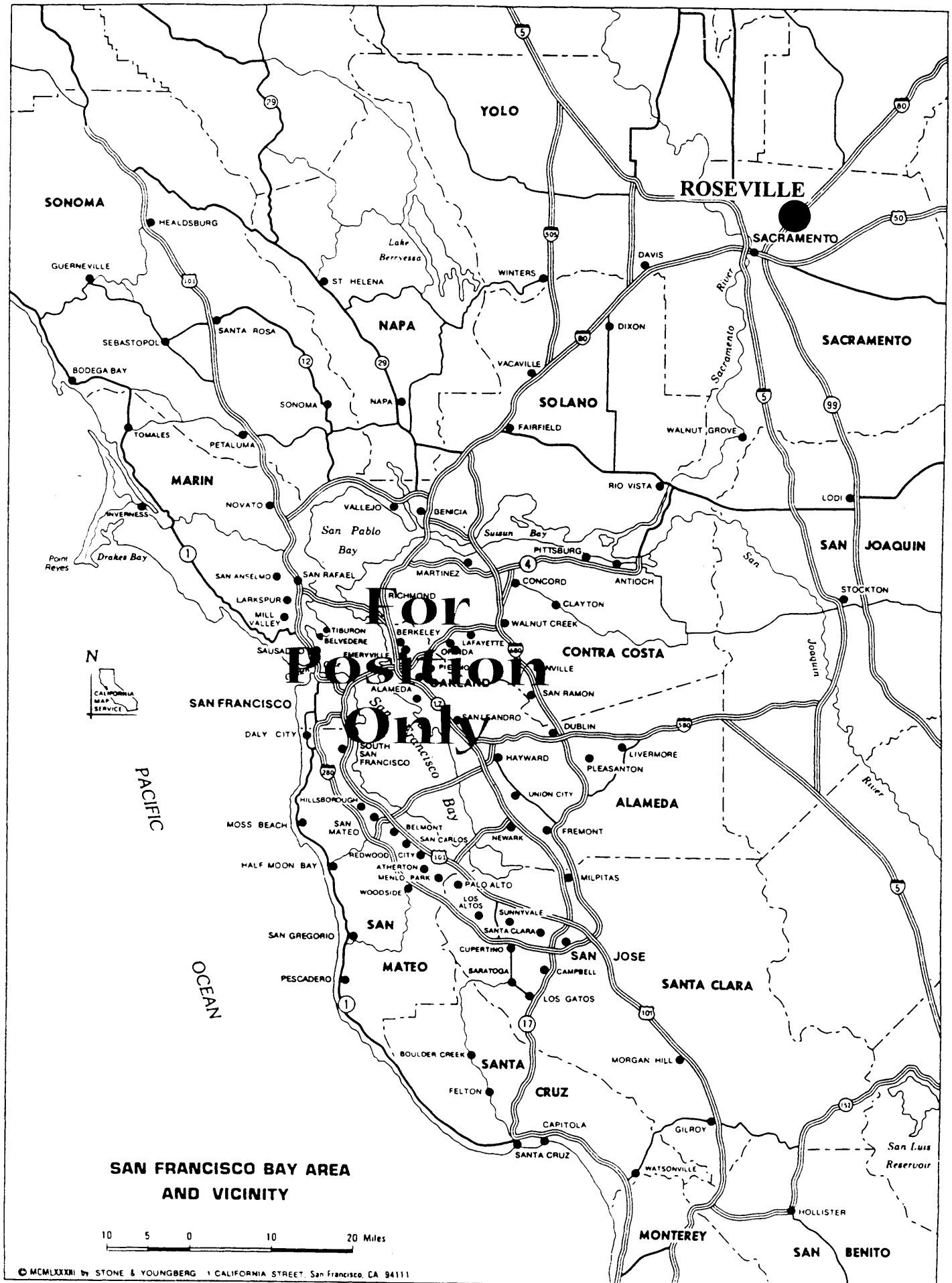
THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXCEPTION FROM THE REGISTRATION REQUIREMENTS CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

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LOCATION MAP



OFFICIAL STATEMENT

\$12,995,000
CITY OF ROSEVILLE
STONERIDGE WEST COMMUNITY FACILITIES DISTRICT NO. 1
SPECIAL TAX BONDS
SERIES 2001

INTRODUCTION

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 Stoneridge West Community Facilities District No. 1 (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 – FISCAL AGENT AGREEMENT SUMMARY."

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 "**Mello-Roos Act**") and pursuant to a Fiscal Agent Agreement dated as of October 1, 2001 (the "**Fiscal Agent Agreement**") between the City and BNY Western Trust Company, San Francisco, California, as fiscal agent (the "**Fiscal Agent**") and Resolution No. 01- 461 (the "**Resolution**") adopted on September 5, 2001 by the City Council of the City (the "**City Council**") which authorized the issuance of the Bonds payable from Special Taxes (as defined herein) levied on property within the District according to a methodology approved by the City. The Bonds are payable from Special Taxes, which are to be levied by the City on 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 the payment of the Special Taxes, and from amounts held in certain funds and accounts pursuant to the City, including a reserve fund, all as more fully described herein. See "SECURITY FOR THE BONDS."

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, 2002. 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 a portion of the costs of acquiring and constructing certain public infrastructure improvements (the "**Improvements**," as described herein), primarily through the payment of impact fees attributable to the development of the property in the District. The Improvements consist generally of water, wastewater, drainage, roadway and other infrastructure improvements necessary for development of property within the District, as wells as parks and trails. See "THE IMPROVEMENTS." Proceeds of the Bonds will not be sufficient to finance all of the Improvements required for development in the District; the remaining amounts required to construct the Improvements will be paid by the Developers and any future merchant builders. Most of the Improvements required for development in the District are complete. Proceeds of the Bonds will also be used to fund a reserve fund for the Bonds and to pay cost of the 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 the 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 of the City through the application of the approved rate and method of apportionment of Special Tax for the District (the "**Special Tax Formula**"). 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 under the proceedings 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 \$15 million ; however, after issuance of the Bonds no additional bonds secured by the Special Tax in the District will be issued, except that bonds may be issued to refund the Bonds.

The City will direct 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. 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 is located in the easterly portion of the City within the City's Stoneridge Specific Plan (the "**Stoneridge Specific Plan**"), a land use plan adopted by the City Council on March 18, 1998 by Resolution No. 98-53, as amended on

April 7, 1999 by Resolution No. 99-112 and by subsequent amendments. This plan area consists of approximately 1,089 acres of undeveloped land located southeast of the center of the City. The plan area is bounded on the north by the city of Rocklin; on the west by Interstate 80, Secret Ravine and Roseville Parkway; on the south by Olympus Drive; and on the east by Sierra College Boulevard. The District represents only a portion of the Stoneridge Specific Plan. See "THE DISTRICT — The Stoneridge Specific Plan."

The District comprises approximately 224 gross acres planned for 726 single-family homes in seven villages, as well as a public park. All of the land in the District is currently owned or controlled by the following developers (collectively, the "**Developers**"): Lennar Renaissance, Inc. ("**Lennar Renaissance**"); Meritage Homes of Northern California, Inc. ("**Meritage Homes**"), which controls and is responsible for development of the property, but does not hold title to the property under financing arrangements with Acacia Credit Fund 7, LLC ("**Acacia**") and GMAC Model Home Financing Inc. ("**GMAC**"), who are title owners of the property; U.S. Home Corporation ("**U.S. Home**") and Roseridge Development, LLC ("**Roseridge Development**"), which is developing and selling finished lots to U.S. Home for home construction; RAH Development, LLC ("**RAH Development**"); and AKT Development Corporation ("**AKT Development**"). AKT Development has acted as master developer for the property, and has sold residential villages to the other Developers, and intends to sell its remaining holdings to merchant builders for home construction and sale to end users. Model homes have opened and production homes are underway in certain villages. See "THE DISTRICT — Anticipated Development in the District" and "OWNERSHIP OF PROPERTY WITHIN 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 \$72,935,000, updated and confirmed as of September 5, 2001. The valuation assumes completion of the Improvements funded by the Bonds and accounts for the impact of the lien of the Special Tax. 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. See "APPRAISAL OF PROPERTY WITHIN THE DISTRICT" and Appendix B. The appraised bulk sale valuation of property in the District is 5.6 times the \$12,995,000 aggregate principal amount of 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 Finance 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. 01-461 adopted by the City Council on September 5, 2001, and the Act.

On July 18, 2001, the City Council adopted Resolution No. 01-362 (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 \$15,000,000 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 were the owners of the property in the District (AKT Development, Lennar Renaissance, U.S. Home, Acacia and GMAC), who cast one vote for each acre or portion of an acre of land owned within the District. The landowners 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 City has covenanted not to issue any additional bonds secured by the Special Tax in the District other than the Bonds, except to refund the Bonds.

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, 2002. 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 by 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 Dates 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 by 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 on or after September 1, 2011, 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>
September 1, 2011 and March 1, 2012	102%
September 1, 2012 and March 1, 2013	101
September 1, 2013 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, or 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 the date of redemption:

<u>Redemption Dates</u>	<u>Redemption Price</u>
March 1, 2002 to and including March 1, 2011	103%
September 1, 2011 and March 1, 2012	102
September 1, 2012 and March 1, 2013	101
September 1, 2013 and Interest Payment Dates thereafter	100

Mandatory Sinking Fund Redemption.

The Term Bonds maturing September 1, 2025 are subject to mandatory sinking payment redemption in part on September 1, 2021 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 table:

<u>Mandatory Redemption Date (September 1)</u>	<u>Sinking Fund Payment</u>
2021	\$485,000
2022	515,000
2023	545,000
2024	580,000
2025 (maturity)	615,000

The Term Bonds maturing September 1, 2031 are subject to mandatory sinking payment redemption in part on September 1, 2026 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 table:

Mandatory Redemption Date (September 1)	Sinking Fund Payment
2026	\$650,000
2027	690,000
2028	730,000
2029	775,000
2030	820,000
2031 (maturity)	870,000

The amounts in the foregoing table 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.

Bonds Mutilated, Lost, Destroyed or Stolen

If any Bond becomes mutilated, the City will execute, and the Fiscal Agent will authenticate and deliver, a new Bond of like tenor and principal amount in exchange and substitution for the Bond so mutilated, but only upon surrender to the Fiscal Agent of the Bond so mutilated. Every mutilated Bond so surrendered to the Fiscal Agent will be canceled by it and destroyed by the Fiscal Agent, who will deliver a certificate of destruction thereof to the City. If any Bond is lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Fiscal Agent and, if such evidence is satisfactory to it and indemnity for the Fiscal Agent and the City satisfactory to the Fiscal Agent is given, the City will execute, and the Fiscal Agent will authenticate and deliver, a new Bond of like tenor and principal amount in lieu of and in substitution for the Bond so lost, destroyed or stolen. The City may require payment of a sum not exceeding the actual cost of preparing each new Bond delivered and of the expenses which may be incurred by the City and the Fiscal Agent for the preparation, execution, authentication and delivery.

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	\$12,995,000.00
Less Original Issue Discount	<u>(57,007.10)</u>
Total	\$12,937,992.90

Estimated Uses of Funds:

Deposit to Improvement Fund	\$11,608,911.90
Deposit to Reserve Fund	924,907.25
Costs of Issuance ⁽¹⁾	<u>404,173.75</u>
Total	\$12,937,992.90

⁽¹⁾ 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, 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, Inc., 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 "**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 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 Annual Costs (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 Maximum Annual Special Tax rate 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 Annual Costs (as defined below). Beginning with the 2001-2002 fiscal year, the City may levy the Special Tax at the Maximum Annual Special Tax rate authorized by the qualified electors within the District as set forth in the Special Tax Formula if conditions so require. For the 2001-02 fiscal year, the City will levy the Special Tax at the maximum rates. Because each Special Tax levy is limited to the 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 Annual Costs will in fact be collected in any given year. See "SPECIAL RISK FACTORS — Insufficiency of Special Taxes" 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.

The City has covenanted that, after issuance of the Bonds, it will not issue any additional bonds secured by the Special Tax in the District except to refund the Bonds.

The City intends to levy the Special Tax for Fiscal Year 2001-02 through the delivery of Special Tax bills directly to the property owners. The Fiscal Year 2001-02 Special Taxes will be due at the same times as ordinary 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.

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.

Assignment of Maximum Annual 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" (meaning a County Assessor's parcel existing at the time the District was formed) or a "Successor Parcel" (meaning a County Assessor's parcel formed by the subsequent subdivision of (or lot line adjustment involving) an Original Parcel or a larger Successor Parcel). The Special Tax Formula assigns a total maximum Special Tax to the existing Original Parcels, and (a) allocates the Special Tax to single-family residential or individually owned residential condominium Successor Parcels by dividing the maximum Special Tax assigned to the respective Original Parcel by the actual number of lots or individually owned residential condominium units realized by such subdivision, and (b) allocates the Special Tax to multi-family and non-residential Successor Parcels (and Successor Parcels that do not create final residential lots) based on the square footage of the Successor Parcel in question as a percentage of the square footage of all Successor Parcels resulting from the same Original Parcel. Currently no multi-family parcels are contemplated for the District. In each case the assignment of the maximum

Special Tax is subject to potential transfers and other adjustments set forth in the Special Tax Formula.

Annual Special Tax Levy. The Special Tax will be levied each year by comparing the Annual Costs to the Maximum Annual Special Tax Revenue to be generated by all Taxable Parcels; if the Annual Costs are less than the Maximum Annual Special Tax Revenue, the Special Tax levy will be decreased proportionately for each Taxable Parcel until the Special Tax revenue equals the Annual Costs.

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 2035-36. When all Annual Costs incurred by the District have been paid, the Special Tax will cease to be levied.

Prepayment of the Special Tax. The Special Tax Formula provides that landowners may permanently satisfy all or a portion of the Special Tax by a cash settlement with the City, subject to the conditions set forth in the Special Tax Formula, including the condition that the Parcel whose Special Tax is to be prepaid is either (i) a whole Specific Plan Parcel greater than one acre, (ii) a Successor Parcel greater than ten acres, or (iii) a Final Use Parcel. 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 Maximum Annual Special Tax and Debt Service Coverage

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. The Maximum Annual Special Tax ranges from \$1,100 to \$1,530 per unit.

The Special Tax will be levied for the 2001-02 year at the maximum rates through the delivery of Special Tax bills directly to the owners of taxable property in the District. For subsequent years, 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. The total Maximum Annual Special Tax levy for the District is \$1,017,300, which for the 2001-02 fiscal year is anticipated to provide annual debt service coverage on the Bonds of approximately 110%.

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 Developers elect not to pay such deficiency from other available sources of funds. See "THE IMPROVEMENTS" and "APPRAISAL OF PROPERTY IN THE DISTRICT." See also "SECURITY AND SOURCES OF PAYMENTS 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. The Fiscal Agent Agreement

provides that no additional bonds secured by the levy of Special Tax may be issued, except to refund the Bonds.

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 Finance Director 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 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. From time to time, the City may withdraw from the Debt Service Account or the Surplus Account of the Special Tax Fund amounts needed to pay the City administrative expenses; 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.

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. If there has been no levy for pay-as-you-go expenditures it is unlikely there will be amounts to be transferred to the Surplus Account.

Moneys in the Surplus Account may, at the City's discretion, be transferred to the Improvement Fund to pay for costs of the Improvements 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 initial purchase of the Bonds will be paid to the Fiscal Agent, who will deposit such proceeds in the Improvement Fund, Reserve Fund and Costs of Issuance Fund established under the Fiscal Agent Agreement. 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 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) 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 Maximum Annual Special Tax rates set forth in the Special Tax Formula, the City may adjust (but not to exceed the 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 WITH 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 Mello-Roos Law 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 Mello-Roos Law requires that property sold pursuant to foreclosure under the Mello-Roos Law 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 Mello-Roos Law, the District, as judgement 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

In order to secure further the timely payment of principal of and interest on the Bonds, the City is required to maintain on deposit in the Reserve Fund held by the Fiscal Agent an amount set forth in the Fiscal Agent Agreement equal to the "**Reserve Requirement**," 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 reimbursement to the Developer for authorized reimbursements, 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."

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.

STONERIDGE WEST COMMUNITY FACILITIES DISTRICT NO. 1 SPECIAL TAX BONDS SERIES 2001 DEBT SERVICE

<u>Year Ending September 1</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$300,000.00	\$624,907.25	\$924,907.25
2003	195,000.00	725,435.00	920,435.00
2004	205,000.00	718,415.00	923,415.00
2005	210,000.00	710,522.50	920,522.50
2006	220,000.00	701,912.50	921,912.50
2007	230,000.00	692,232.50	922,232.50
2008	240,000.00	681,652.50	921,652.50
2009	250,000.00	670,012.50	920,012.50
2010	265,000.00	657,512.50	922,512.50
2011	280,000.00	643,865.00	923,865.00
2012	295,000.00	629,025.00	924,025.00
2013	310,000.00	613,095.00	923,095.00
2014	325,000.00	596,045.00	921,045.00
2015	345,000.00	577,845.00	922,845.00
2016	365,000.00	558,180.00	923,180.00
2017	385,000.00	537,010.00	922,010.00
2018	410,000.00	514,295.00	924,295.00
2019	430,000.00	489,900.00	919,900.00
2020	460,000.00	464,100.00	924,100.00
2021	485,000.00	436,500.00	921,500.00
2022	515,000.00	407,400.00	922,400.00
2023	545,000.00	376,500.00	921,500.00
2024	580,000.00	343,800.00	923,800.00
2025	615,000.00	309,000.00	924,000.00
2026	650,000.00	272,100.00	922,100.00
2027	690,000.00	233,100.00	923,100.00
2028	730,000.00	191,700.00	921,700.00
2029	775,000.00	147,900.00	922,900.00
2030	820,000.00	101,400.00	921,400.00
2031	<u>870,000.00</u>	<u>52,200.00</u>	<u>922,200.00</u>
Total	\$12,995,000.00	\$14,677,562.25	\$27,672,562.25

THE DISTRICT

Formation of the District

On June 6, 2001, 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 July 18, 2001, the City Council adopted the Resolution of Formation, which established Stoneridge West Community Facilities District No. 1, 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 \$15 million. On July 18, 2001, an election was held within the District in which AKT Development, Lennar Renaissance, U.S. Home, Acacia and GMAC (who were then the eligible landowner voters 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 is located in the easterly portion of the City within a portion of the Stoneridge Specific Plan area (described below), west of Sierra College Boulevard, north of Olympus Drive, east of Roseville Parkway, and south of Secret Ravine Parkway. Adjacent land uses include: future residential development and open space to the north; the Stoneridge East development to the east (which is currently under construction by Elliott Homes and forms a portion of the Stoneridge Specific Plan area); open space and a completed residential subdivision to the south; and various commercial uses to the west (including the Sutter Roseville Medical Center, offices, the Roseville Auto Mall, and other recently completed retail buildings).

The District comprises 224 gross acres planned for 726 residential units. The District represents only a portion of the Stoneridge Specific Plan area. The Stoneridge Specific Plan area permits the development of a total of 2,810 dwelling units.

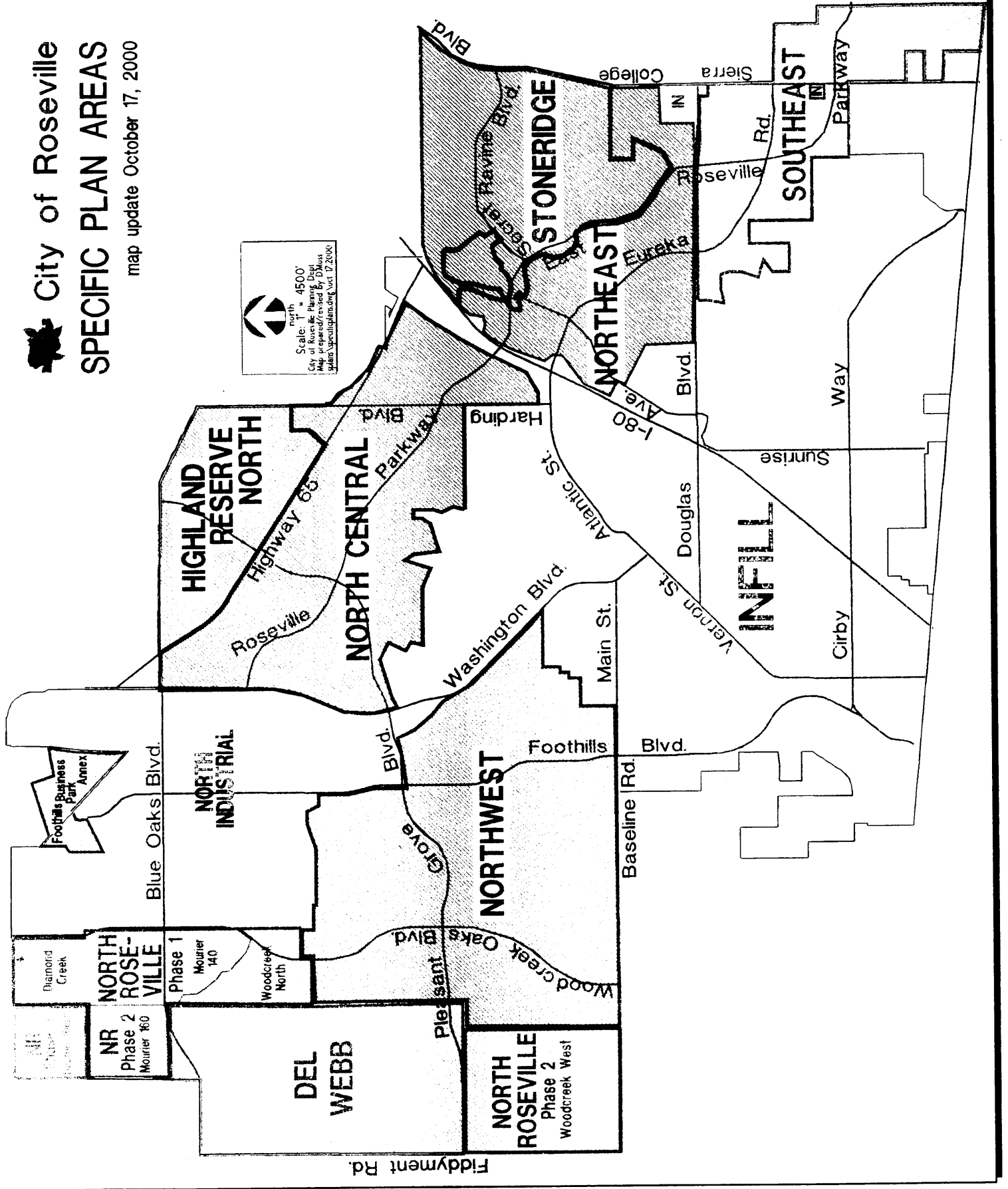
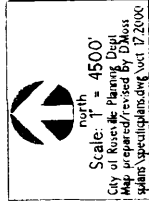
Major local thoroughfares providing regional access to the District are Douglas Boulevard, Sierra College Boulevard, Sunrise Avenue, Eureka Road, East Roseville Parkway, and Rocky Ridge Drive. These thoroughfares provide access to Interstate 80 and the Highway 65 Bypass. Alexandra Drive and Secret Ravine Parkway provide access to the villages within the District.

The land in the District is characterized as undulating to rolling, and is crossed by a number of ravines. The land has historically been vacant and undeveloped, but is currently the focus of several ongoing residential developments (as discussed herein). As of June 30, 2001, 122 building permits had been issued in the District.

A map of the major planning areas of the City, an aerial photo of the area, the specific plan land use map, diagrams of the parcels in the District and the boundary map of the District are shown on the following pages. The aerial photo is dated November 2000; since then most of the major infrastructure is complete and a number of residential developments are underway, as described herein.

City of Roseville
SPECIFIC PLAN AREAS

map update October 17, 2000



STONERIDGE WEST

City of Roseville, California

November 2000



WOOD RODGERS INC.

3301 O STREET, BLDG 400-B

SACRAMENTO, CA 95816

TEL: 916.341.7760

FAX: 916.341.7767

OVERALL AREA EXHIBIT STONERIDGE WEST

CITY OF ROSEVILLE, CALIFORNIA

SEPTEMBER 1998

(REVISED MARCH 1999)

(REVISED JULY 1999)

(REVISED FEBRUARY 2000)

(REVISED DECEMBER 2000)

LENNAR COMMUNITIES

PARCEL 20 (PTN)

SPECIFIC PLAN PARCEL 20 (PTN)

VILLAGE NO. 1

35.36 AC
170 D.U.

LENNAR COMMUNITIES

PARCEL 18 + 20 (PTN)

SPECIFIC PLAN PARCEL 18 + 20 (PTN)

VILLAGE NO. 2

3.0 AC PARK
22.74 AC RES.
104 D.U.

MERITAGE HOMES

PARCEL 19

SPECIFIC PLAN PARCEL 19

VILLAGE NO. 3

36.03 AC
72 D.U.

RAH DEVELOPMENT

PARCEL 32 + 26

SPECIFIC PLAN PARCEL 32 + 26

VILLAGE NO. 4

39.64 AC
78 D.U.

SCHOOL

LENNAR COMMUNITIES

PARCEL 20

SPECIFIC PLAN PARCEL 20

VILLAGE NO. 5

29.34 AC
58 D.U.

VILLAGE NO. 7

U.S. HOME

PARCEL 27

SPECIFIC PLAN PARCEL 27

VILLAGE NO. 6

40.78 AC
126 D.U.

JTS COMMUNITIES

PARCEL 1

SPECIFIC PLAN PARCEL 1

35.5 AC
127 D.U.

PROJECT NOTES

OWNER: LUTHER STONERIDGE LLC
7700 COLLEGE DRIVE, SUITE 100
MILWAUKEE, WI 53219

ARCHITECT: BAY DEVELOPMENT CORPORATION
1000 COLLEGE DRIVE, SUITE 100
MILWAUKEE, WI 53219
PHONE: 414-770-6100

ENGINEER: RAYMOND J. NEVILL
WOOD RODGERS INC.
1115 N. WISCONSIN
MILWAUKEE, WI 53219
PHONE: 414-770-6100

ADJACENT PARCEL NUMBERS:
201-202-203-204-205-206-207-208-209-210-211-212-213-214-215-216-217-218-219-220-221-222-223-224-225-226-227-228-229-230-231-232-233-234-235-236-237-238-239-240-241-242-243-244-245-246-247-248-249-250-251-252-253-254-255-256-257-258-259-260-261-262-263-264-265-266-267-268-269-270-271-272-273-274-275-276-277-278-279-280-281-282-283-284-285-286-287-288-289-290-291-292-293-294-295-296-297-298-299-300-301-302-303-304-305-306-307-308-309-310-311-312-313-314-315-316-317-318-319-320-321-322-323-324-325-326-327-328-329-330-331-332-333-334-335-336-337-338-339-340-341-342-343-344-345-346-347-348-349-350-351-352-353-354-355-356-357-358-359-360-361-362-363-364-365-366-367-368-369-370-371-372-373-374-375-376-377-378-379-380-381-382-383-384-385-386-387-388-389-390-391-392-393-394-395-396-397-398-399-400-401-402-403-404-405-406-407-408-409-410-411-412-413-414-415-416-417-418-419-420-421-422-423-424-425-426-427-428-429-430-431-432-433-434-435-436-437-438-439-440-441-442-443-444-445-446-447-448-449-450-451-452-453-454-455-456-457-458-459-460-461-462-463-464-465-466-467-468-469-470-471-472-473-474-475-476-477-478-479-480-481-482-483-484-485-486-487-488-489-490-491-492-493-494-495-496-497-498-499-500-501-502-503-504-505-506-507-508-509-510-511-512-513-514-515-516-517-518-519-520-521-522-523-524-525-526-527-528-529-530-531-532-533-534-535-536-537-538-539-540-541-542-543-544-545-546-547-548-549-550-551-552-553-554-555-556-557-558-559-560-561-562-563-564-565-566-567-568-569-570-571-572-573-574-575-576-577-578-579-580-581-582-583-584-585-586-587-588-589-590-591-592-593-594-595-596-597-598-599-600-601-602-603-604-605-606-607-608-609-610-611-612-613-614-615-616-617-618-619-620-621-622-623-624-625-626-627-628-629-630-631-632-633-634-635-636-637-638-639-640-641-642-643-644-645-646-647-648-649-650-651-652-653-654-655-656-657-658-659-660-661-662-663-664-665-666-667-668-669-670-671-672-673-674-675-676-677-678-679-680-681-682-683-684-685-686-687-688-689-690-691-692-693-694-695-696-697-698-699-700-701-702-703-704-705-706-707-708-709-710-711-712-713-714-715-716-717-718-719-720-721-722-723-724-725-726-727-728-729-730-731-732-733-734-735-736-737-738-739-740-741-742-743-744-745-746-747-748-749-750-751-752-753-754-755-756-757-758-759-760-761-762-763-764-765-766-767-768-769-770-771-772-773-774-775-776-777-778-779-780-781-782-783-784-785-786-787-788-789-790-791-792-793-794-795-796-797-798-799-800-801-802-803-804-805-806-807-808-809-810-811-812-813-814-815-816-817-818-819-820-821-822-823-824-825-826-827-828-829-830-831-832-833-834-835-836-837-838-839-840-841-842-843-844-845-846-847-848-849-850-851-852-853-854-855-856-857-858-859-860-861-862-863-864-865-866-867-868-869-870-871-872-873-874-875-876-877-878-879-880-881-882-883-884-885-886-887-888-889-890-891-892-893-894-895-896-897-898-899-900-901-902-903-904-905-906-907-908-909-910-911-912-913-914-915-916-917-918-919-920-921-922-923-924-925-926-927-928-929-930-931-932-933-934-935-936-937-938-939-940-941-942-943-944-945-946-947-948-949-950-951-952-953-954-955-956-957-958-959-960-961-962-963-964-965-966-967-968-969-970-971-972-973-974-975-976-977-978-979-980-981-982-983-984-985-986-987-988-989-990-991-992-993-994-995-996-997-998-999-1000-1001-1002-1003-1004-1005-1006-1007-1008-1009-1010-1011-1012-1013-1014-1015-1016-1017-1018-1019-1020-1021-1022-1023-1024-1025-1026-1027-1028-1029-1030-1031-1032-1033-1034-1035-1036-1037-1038-1039-1040-1041-1042-1043-1044-1045-1046-1047-1048-1049-1050-1051-1052-1053-1054-1055-1056-1057-1058-1059-1060-1061-1062-1063-1064-1065-1066-1067-1068-1069-1070-1071-1072-1073-1074-1075-1076-1077-1078-1079-1080-1081-1082-1083-1084-1085-1086-1087-1088-1089-1090-1091-1092-1093-1094-1095-1096-1097-1098-1099-1100-1101-1102-1103-1104-1105-1106-1107-1108-1109-1110-1111-1112-1113-1114-1115-1116-1117-1118-1119-1120-1121-1122-1123-1124-1125-1126-1127-1128-1129-1130-1131-1132-1133-1134-1135-1136-1137-1138-1139-1140-1141-1142-1143-1144-1145-1146-1147-1148-1149-1150-1151-1152-1153-1154-1155-1156-1157-1158-1159-1160-1161-1162-1163-1164-1165-1166-1167-1168-1169-1170-1171-1172-1173-1174-1175-1176-1177-1178-1179-1180-1181-1182-1183-1184-1185-1186-1187-1188-1189-1190-1191-1192-1193-1194-1195-1196-1197-1198-1199-1200-1201-1202-1203-1204-1205-1206-1207-1208-1209-1210-1211-1212-1213-1214-1215-1216-1217-1218-1219-1220-1221-1222-1223-1224-1225-1226-1227-1228-1229-1230-1231-1232-1233-1234-1235-1236-1237-1238-1239-1240-1241-1242-1243-1244-1245-1246-1247-1248-1249-1250-1251-1252-1253-1254-1255-1256-1257-1258-1259-1260-1261-1262-1263-1264-1265-1266-1267-1268-1269-1270-1271-1272-1273-1274-1275-1276-1277-1278-1279-1280-1281-1282-1283-1284-1285-1286-1287-1288-1289-1290-1291-1292-1293-1294-1295-1296-1297-1298-1299-1300-1301-1302-1303-1304-1305-1306-1307-1308-1309-1310-1311-1312-1313-1314-1315-1316-1317-1318-1319-1320-1321-1322-1323-1324-1325-1326-1327-1328-1329-1330-1331-1332-1333-1334-1335-1336-1337-1338-1339-1340-1341-1342-1343-1344-1345-1346-1347-1348-1349-1350-1351-1352-1353-1354-1355-1356-1357-1358-1359-1360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-2361-2362-2363-2364-2365-2366-2367-2368-2369-2370-2371-2372-2373-2374-2375-2376-2377-2378-2379-2380-2381-2382-2383-2384-2385-2386-2387-2388-2389-2390-2391-2392-2393-

**CITY OF ROSEVILLE
STONERIDGE WEST
COMMUNITY FACILITIES DISTRICT NO. 1
SPECIAL TAX DIAGRAM**

Map 1 - Boundary Map

WILLIAMS RODGERS INC.

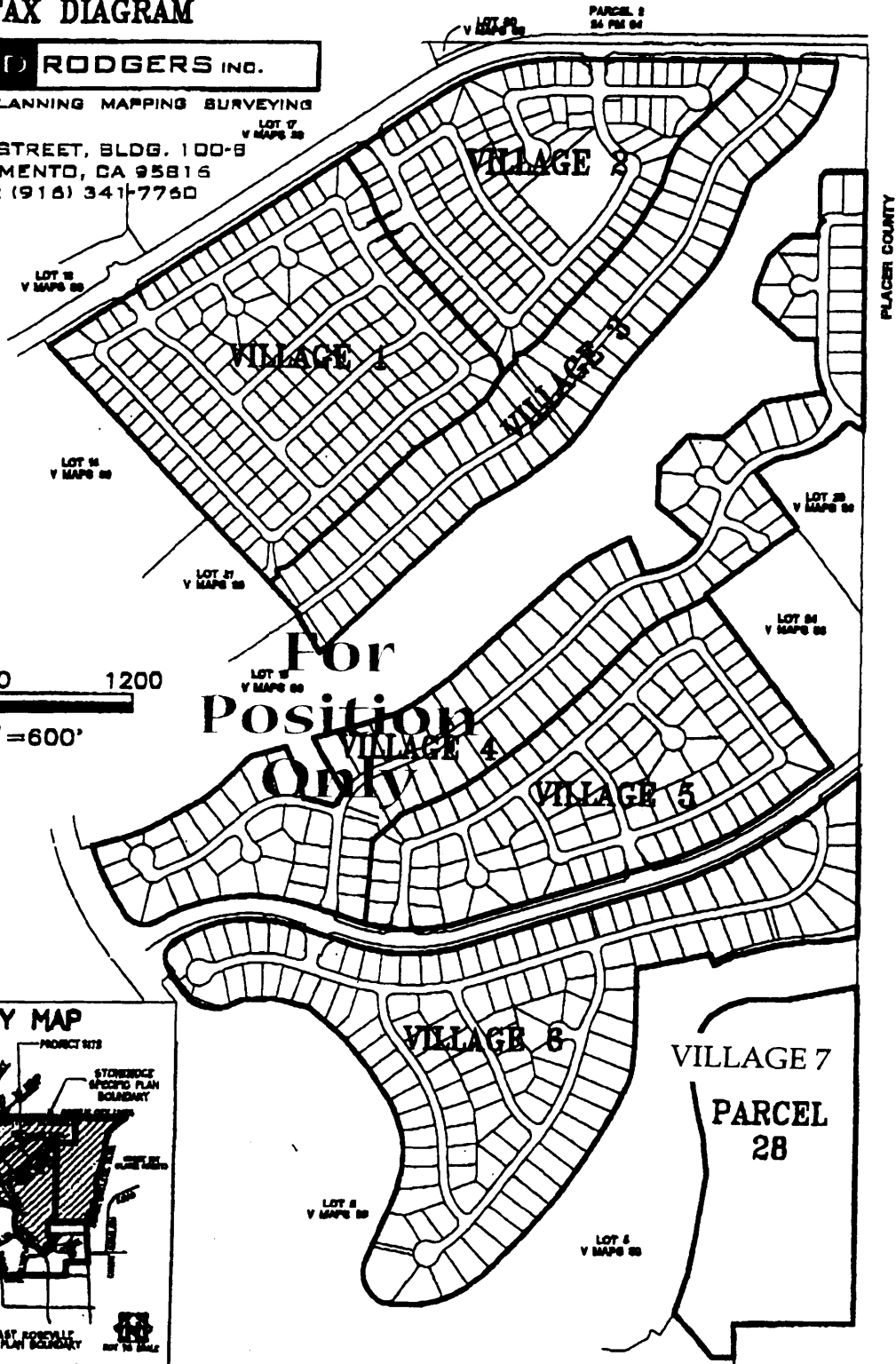
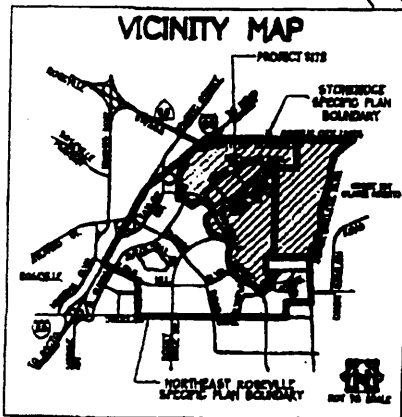
ENGINEERING PLANNING MAPPING SURVEYING

3301 C STREET, BLDG. 100-B
SACRAMENTO, CA 95816
PHONE: (916) 341-7760



0 300 600 1200
SCALE: 1" = 600'

**For
Position
Only**



Overview of Southwestern Placer County

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

The incorporated portions of southwestern Placer County have historically served as bedroom communities of the metropolitan Sacramento area. However, in recent years, new employment opportunities have been created in the cities of Roseville and Rocklin, contributing to the rapid rate of growth in the southwestern Placer County area. As a result, these cities have now become more balanced relative to jobs and housing and less economically dependent on employment opportunities and services provided in adjacent Sacramento County. In recent years Roseville has become a business and residential center in the greater Sacramento area. For information on the City of Roseville, see "APPENDIX D – THE CITY OF ROSEVILLE."

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

The population of Placer County was reported to be approximately 257,500 in January 2001, which represents an increase of approximately 3.5% over that reported in the 2000 census. According to the California State Department of Finance, by 2005 the County's population is projected to grow to approximately 298,500, an increase of 16% over the 2001 estimate. Roseville has an estimated population of 83,000 as of January 1, 2001. While Roseville and Rocklin have larger populations and have recently been the County's fastest growing cities, it is projected that Lincoln will surpass Rocklin as Placer County's fastest growing city, with the current population of approximately 13,900 increasing to a projected 15,000 by 2005. According to the California State Department of Finance, the current population of Roseville and Rocklin is expected to increase to approximately 173,100 by the year 2015.

Southwestern Placer County and the State Highway 65 corridor in particular have emerged as major employment hubs of the Sacramento region. In addition to various quality-of-life and housing issues, the seismic stability of the area and its location largely out of the floodplain prompted Hewlett-Packard to purchase and begin developing its ±487-acre campus in northwestern Roseville in 1978. Four years later, NEC Electronics began developing a memory chip plant nearby and now owns a ±154-acre campus. Expansion of both of these facilities has occurred over the years, and each company holds additional land in order to

accommodate future growth. Today, these two firms collectively employ in excess of 6,000. In Rocklin, Wells Fargo Bank and Oracle Corporation have purchased sites in Stanford Ranch for their operations. The Galleria regional mall in Roseville was completed in August, 2000 and is the first regional mall development in the last 15 years in the Sacramento area. It is located at the northeast corner of Galleria Boulevard and the Roseville Parkway immediately adjacent to Highway 65. The two-level mall has four major anchors and a total gross leaseable area of 1,120,000 square feet, which is currently 99% leased. The mall features more than 120 retailers and anchors include Macy's, Nordstrom, Penney's and Sears. The construction of the regional mall has stimulated commercial activity in both the North Central Roseville Specific Plan and the Highland Reserve North Specific Plan areas and is expected to have a significant impact on residential development activity as well.

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

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

The City of Lincoln, located approximately 10 miles north of Roseville, has also experienced new development and job growth during the past four years. This growth is largely attributable to Lincoln's proximity to several high-tech firms and the development and transportation opportunities offered by Lincoln Air Center, an established industrial park located adjacent to the city's municipally-owned airport. The park became the local home of Zytex Services in 1994, now known as Artesyn Solutions, Inc., and began producing power supplies and repairing computers for Hewlett-Packard's nearby operations in Roseville. Since then, four similar firms have joined Artesyn in the Lincoln Air Center, including Express Point Technology, Comtek Computer Systems, ESL Technologies and Exel Logistics. Caliber Logistics, Inc., a contract warehouse and distribution firm for Hewlett-Packard, recently completed a 400,000 square-foot facility. Total employment at these five firms is in excess of.

One of the recently completed residential developments in southwestern Placer County is Del Webb's Sun City retirement community in Roseville. The project was completed in 1999 and encompasses 1,200 acres along Roseville's western boundary, and includes approximately 3,500 housing units. Over one-third of the acreage is set aside for recreational and open space uses, including nine- and 18-hole golf courses. This development has helped to establish southwestern Placer County as a viable location for seniors-oriented communities, with the rate of sales and buildout far exceeding original expectations. The success of Sun City Roseville prompted the Del Webb Corporation to initiate another similar project in nearby Lincoln. Sales of homes in the Lincoln project began in February 1999, with marketing being directed throughout the western United States for the ±5,300-lot seniors housing community. Sun City

Lincoln is proposed to encompass approximately 2,370 acres, or 42% of the expanded ±5,700-acre Twelve Bridges project area, which will accommodate a total of approximately 10,000 lots when completed. With 5,300 homes projected, Sun City Lincoln is planned to be approximately 70% larger than Del Webb's project in Roseville. Del Webb has in escrow or has recently closed escrow on over 1,000 homes in the project.

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

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

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

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

The Stoneridge Specific Plan

General. The District constitutes a portion of the Stoneridge Specific Plan area created by the Stoneridge Specific Plan (the "**Stoneridge Specific Plan**"), a land use plan adopted by the City Council on March 18, 1998 by Resolution No. 98-53, as amended on April 7, 1999 by Resolution No. 99-112 and further amended in 2000. The City, as a charter city, has adopted the Stoneridge Specific Plan by a procedure that is consistent with its General Plan and with the provisions of Article 8, Sections 65450 through 65457 of Title 7 Planning and Land Use Law, California Government Code. All projects within the Stoneridge Specific Plan area (including subdivisions, use permits, design-review permits and public-works projects) must be consistent with the Stoneridge Specific Plan and the City General Plan.

Stoneridge Specific Plan Area. The Stoneridge Specific Plan area contains approximately 1,089 acres located east of the center of the City, and is bounded on the north by the City of Rocklin, on the west by Interstate 80, Secret Ravine and Roseville Parkway, on the south by Olympus Drive and on the east by Sierra College Boulevard. All of the Stoneridge

Specific Plan area is within the City limits. A total of 2,810 dwelling units are permitted within the Stoneridge Specific Plan area.

Proposed Land Uses. The Stoneridge Specific Plan proposes a mix of residential neighborhoods, commercial and business-professional employment areas, parks, open space and a variety of public and open space land uses. The residential land use planned for the Stoneridge Specific Plan is comprised of a series of neighborhoods which primarily provides for low density single-family dwellings with certain locations for high density townhomes, apartments and senior housing. Residential neighborhoods are generally delineated by arterial streets, collector streets and open space. Residential neighborhoods are oriented away from arterial streets in order to foster a sense of community identity and privacy while improving traffic circulation and safety. Non-residential uses are generally clustered in the western portion of the area near Sutter Roseville Medical Center and adjacent to major arterials. Commercial sites are located in the plan area for the convenience of local residents and employees as well as for convenient flow for those passing through the Stoneridge Specific Plan area. Business-professional employment areas within the Stoneridge Specific Plan area are intended to provide for a local employment base to complement the Medical Center and other non-residential uses in the adjacent Northeast Roseville Specific Plan area.

The Specific Plan sets aside over 285 acres in park and open space uses. The ravines located within the area have been planned to be preserved in public open space with access provided through an extensive bike trail system linked to the existing system in Miner's Ravine. Adjacent development is planned to minimize impacts upon the open space areas. Public spaces and roadways have been planned to preserve views of the ravines, as well as preserve long-range views of the City and the Sacramento Area.

Construction of homes in the Stoneridge Specific Plan Area has commenced and as of the end of the second quarter of 2001 the City had issued 195 building permits and 19 occupancy permits for homes in the specific plan area. This includes property outside the District. Within the District, 26 building permits had been issued as of June 30, 2001.

The following table shows the anticipated land use by parcel as shown in the Stoneridge Specific Plan.

Property in the District includes only a portion of the land contained in the Stoneridge Specific Plan. See "Anticipated Development in the District" for a list of the Specific Plan parcel numbers included in the District. The remainder of the land within the Stoneridge Specific Plan area is not in the District, and will not serve as security for the Bonds.

**Stoneridge Specific Plan Area
Land Use by Parcel***

<u>Parcel</u>	<u>Land Use</u>	<u>Density +</u>	<u>Acres +</u>	<u>Units</u>
1	Residential	5.5	35.5	127
2	Park	-	6.5	-
3 ⁽¹⁾	Park	-	20.6	-
4	Park	-	0.5	-
5 ⁽¹⁾	Open Space	-	48.7	-
6	Open Space	-	5.2	-
7	Open Space	-	24.7	-
8	Fire Station	-	2.0	-
9	Commercial	0.25 (far)	5.6	-
10	Business/Prof.	0.30 (far)	2.2	-
11	Open Space	-	1.5	-
12	Open Space	-	6.2	-
13	Commercial	0.25 (far)	12.5	-
14	Commercial	0.25 (far)	17.6	-
15	Church	-	4.5	-
16	Open Space (UR)	-	4.5	-
17	Residential (UR)	2.5	13.5	34
18	Park	-	3.0	-
19	Residential	2.8	25.1	72
20	Residential	4.4	61.7	274
21	Residential (Senior)	27.7	5.4	150
22	Residential	3.9	16.6	65
23	Residential	21.9	14.4	315
24	Business/Prof.	0.30 (far)	3.7	-
25	Open Space	-	16.2	-
26	Open Space	-	21.2	-
27	Residential	3.4	29.5	99
28	Residential	4.7	18.3	86
29 ⁽¹⁾	Park	-	18.8	-
30	Residential	4.0	29.5	118
31	Open Space	-	18.5	-
32	Open Space	-	44.0	-
33	Residential	2.4	33.5	83
34	Residential	3.1	30.3	94
35	Residential	2.8	45.9	126
36	School	-	15.4	-
37	Park	-	8.0	-
38	Residential	2.4	7.0	16
39	Residential	1.2	9.8	12
40	Residential	20.0	12.7	230
41	Residential	2.2	29.0	64
42	Residential	2.7	24.5	68
43	Water Tank	-	2.1	-
44	Open Space	-	8.7	-
45	Park	-	4.0	-
46	Residential	5.4	27.4	120
47	Residential	4.2	24.8	103
48	Park	-	2.1	-
49	Residential	3.2	26.0	80
50	Open Space	-	42.0	-
51	Residential	3.8	4.1	20
52	Residential	2.8	16.1	45
53	Open Space	-	2.3	-
54	Residential	9.4	14.9	140
55	Residential	5.0	15.9	80
56	Park	-	7.6	-
57	Residential	5.0	9.6	48
58	Residential	5.5	16.8	90
59	Residential	2.9	17.1	51
60	Open Space (UR)	-	20.2	-
61	Park (UR)	-	4.8	-
	Major Roads	-	<u>64.6</u>	-
			<u>1,089.0</u>	<u>2,810 du.</u>

⁽¹⁾ Parcel 3 (20.6 acres), a 22.7 acre portion of Parcel 5 and 13.9 acre portion of Parcel 29 are owned by the City of Roseville.

* Only some of the parcels of the Stoneridge Specific Plan are in the District; see "Anticipated Development in the District" below.
Source: City of Roseville.

Anticipated Development in the District

The Developers have 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 Stoneridge Specific Plan, 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.

Development Plan. The District covers approximately 224 gross acres, which is currently being developed as seven residential villages containing 726 single-family homes and a public park. AKT Development, the master developer for the property, has, over the past few years, sold most of its property holdings to merchant builders (including the other Developers) for home construction and sale to homeowners. AKT Development plans to sell its remaining property to homebuilders as well.

All of the land in the District is currently owned or controlled by the following developers (collectively, the "**Developers**"): Lennar Renaissance, Inc. ("**Lennar Renaissance**"); Meritage Homes of Northern California, Inc. ("**Meritage Homes**"), which controls and is responsible for development of the property, but does not hold title to the property under financing arrangements with Acacia Credit Fund 7, LLC ("**Acacia**") and GMAC Model Home Financing Inc. ("**GMAC**"), who are title owners of the property; U.S. Home Corporation ("**U.S. Home**") and Roseridge Development, LLC ("**Roseridge Development**"), which is developing and selling finished lots to U.S. Home for home construction; RAH Development, LLC ("**RAH Development**"); and AKT Development Corporation ("**AKT Development**").

The Property in the District comprises the parcels designated in the Stoneridge Specific Plan identified below. The specific plan permits development of a maximum of 755 single family residential units, but the Developers currently anticipate development of 726 single family units (although this number is subject to change as the development process progresses). The maximum allowable development by ownership is set forth below; the currently planned development by parcel is set forth under the caption "Property Ownership, Home Construction Plan and Timeline" below.

<u>Specific Plan Residential Parcel</u>	<u>Zoning</u>	<u>Maximum Allowed Single Family Residential Units</u>	<u>Planned Number of Single Family Residential Units</u>
Parcel No. 19 (Village 3)	R1	72	72
Parcel No. 20 (Village 1&2)	RS/DS	274	274
Parcel No. 33 (Village 4)	R1	83	83
Parcel No. 34 (Village 5)	R1/DS	94	94
Parcel No. 35 (Village 6)	R1/DS	126	126
Parcel No. 38 (Village 4)	R1	16	16
Parcel No. 58/28 (Village 7)	RS/DS	90	61
		Total: 755	Total: 726
<u>Parks/Open Space</u>			
Parcel No. 18	PARK	N/A	N/A

Zoning designations are as follows:

R1: Single-family residential

RS/DS: Single-family residential with development standard overlay

Infrastructure and Utilities. The following roadway improvements have been completed within the District: Secret Ravine Parkway, Alexandra Drive, and the majority of East Roseville Parkway (other than the Miner's Ravine bridge section of East Roseville Parkway). Roadway improvements generally include water, sewer, drainage, concrete curb, gutter and paving and all of the relevant utilities. Such improvements provide access to the villages within the District.

Total off-site infrastructure costs for development in the District is estimated to be \$16.8 million. AKT Development is responsible for the construction of these infrastructure improvements, and estimates that most of these off-site infrastructure costs will be complete at the time the Bonds are issued. Of this amount, it is anticipated that approximately \$11 million will be reimbursed from Bond proceeds. See "Construction and Acquisition of the Improvements" below.

All typical urban utility services for finished lots are available at the lots or will be extended to the lots. These utilities include electric power, natural gas, telephone, cable television, water, and sanitary sewer and storm water facilities.

Property Ownership, Home Construction Plan and Timeline. The table below summarizes the current ownership of the property in the District and the current development plan for the property. Lennar Corporation is the parent entity to Lennar Renaissance, Renaissance Homes, Winncrest Homes, U.S. Home and Roseridge Development. See "OWNERSHIP OF PROPERTY WITHIN THE DISTRICT."

<u>Developer</u>	<u>Village</u>	<u>Number of Planned Single Family Residential Lots</u>	<u>Share of Total Lots</u>	<u>Estimated/ Actual Start of Home Construction</u>	<u>Homes Under Construction or Completed ⁽⁵⁾</u>
<u>Lennar Affiliates</u>					
Lennar Renaissance ⁽¹⁾	Village 1	170 lots	23.42%	May 2001	57
Lennar Renaissance ⁽²⁾	Village 2	104 lots	14.33	May 2001	68
Lennar Renaissance ⁽³⁾	Village 5	94 lots	12.95	May 2001	8
U.S. Home & Roseridge Development	Village 6	126 lots	17.36	June 2001	17
<u>Other Merchant Builders</u>					
Acacia Credit Fund 7 and GMAC (Meritage Homes) RAH Development	Village 3	72 lots	9.92	May 2001	0
	Village 4 (portion)	31 lots	4.27	2002	0
AKT Development ⁽⁴⁾	Village 4 (portion)	68 lots	9.37	2002	0
AKT Development	Village 7	<u>61 lots</u>	<u>8.40</u>	2002/2003	<u>0</u>
	Total	726 lots	100.00%		150

⁽¹⁾ Home construction and marketing in this Village is being carried out by two Lennar subsidiaries, Winncrest Homes and Renaissance Homes.

⁽²⁾ Home construction and marketing in this Village is being carried out by Winncrest Homes, a Lennar subsidiary.

⁽³⁾ Home construction and marketing in this Village is being carried out by Renaissance Homes, a Lennar subsidiary.

⁽⁴⁾ RAH Development is under contract to acquire the remaining portion of the Village 4 property from AKT Development by November 15, 2001.

⁽⁵⁾ As of September 5, 2001.

The currently anticipated development plan for each residential village is set forth below.

Village 1 - Renaissance Homes and Winncrest Homes

The property in Village 1 is owned by Lennar Renaissance, but homes are being constructed, marketed and sold by two of its affiliates, Renaissance Homes and Winncrest Homes.

"Saratoga" by Renaissance Homes

<u>Begin Home Construction</u>	<u>Open Model Homes</u>	<u>First Home Sale Closings</u>	<u>Estimated Last Home Sale Closings</u>	<u>Planned No. of Sgl. Fam. Homes</u>	<u>No. of Model Types</u>	<u>Approx. Square Footage</u>	<u>Proposed Price Range</u>
May 2001	July 2001	Sept. 2001	4th quarter 2003	83	4	2,400 to 4,100	\$363,000 to \$449,000

"Saratoga" by Winncrest Homes

<u>Begin Home Construction</u>	<u>Open Model Homes</u>	<u>First Home Sale Closings</u>	<u>Estimated Last Home Sale Closings</u>	<u>Planned No. of Sgl. Fam. Homes</u>	<u>No. of Model Types</u>	<u>Approx. Square Footage</u>	<u>Proposed Price Range</u>
May 2001	July 2001	Sept. 2001	4th quarter 2003	87	4	2,350 to 4,260	\$350,000 to \$450,000

Village 2 - Winncrest Homes

The property in Village 2 is owned by Lennar Renaissance but homes are being constructed, marketed and sold by its affiliate, Winncrest Homes.

"Cambria"

<u>Begin Home Construction</u>	<u>Open Model Homes</u>	<u>First Home Sale Closings</u>	<u>Estimated Last Home Sale Closings</u>	<u>Planned No. of Sgl. Fam. Homes</u>	<u>No. of Model Types</u>	<u>Approx. Square Footage</u>	<u>Proposed Price Range</u>
May 2001	July 2001	Oct. 2001	4th quarter 2003	104	6	2,190 to 3,180	\$325,000 to \$386,000

Village 3 - Meritage Homes

Acacia Credit Fund 7 LLC and GMAC Model Home Financing Inc. have fee title to this property and Meritage Homes has control of and options to purchase the lots. Meritage Homes purchases finished lots and is constructing the homes on such lots. Meritage Homes reports that as of September 1, 2001, it had not entered into any contracts for sale of the proposed homes in Village 3 to homeowners.

"Stone Canyon"

<u>Begin Home Construction</u>	<u>Open Model Homes</u>	<u>First Home Sale Closings</u>	<u>Estimated Last Home Sale Closings</u>	<u>Planned No. of Sgl. Fam. Homes</u>	<u>No. of Model Types</u>	<u>Approx. Square Footage</u>	<u>Proposed Price Range</u>
May 2001	Nov. 2001	Dec. 2001	Dec. 2003	72	6	3,000 to 4,500	\$400,000 to \$500,000

Village 4 - AKT Development and RAH Development

AKT Development has entered into an amended contract with RAH Development under which RAH Development has agreed to purchase the Village 4 property in two phases: the first phase, consisting of 31 lots, closed on September 28, 2001, and the second phase, consisting of 68 lots, is scheduled to close by November 15, 2001. The purchase deposit previously made by RAH Development under the original agreement is nonrefundable.

RAH Development plans to construct and sell single-family homes on a portion of the Village 4 property and sell the remaining property as finished lots to individual owners (for custom home development) or to merchant builders (for home construction and sale to homeowners).

Village 5 - Renaissance Homes

The property in Village 5 is owned by Lennar Renaissance but homes are being constructed, marketed and sold by its affiliate, Renaissance Homes.

"Tiburon"

<u>Begin Home Construction</u>	<u>Open Model Homes</u>	<u>First Home Sale Closings</u>	<u>Estimated Last Home Sale Closings</u>	<u>Planned No. of Sgl. Fam. Homes</u>	<u>No. of Model Types</u>	<u>Approx. Square Footage</u>	<u>Proposed Price Range</u>
Underway	Sept/Oct 2001	Nov. 2001	4th quarter 2003	94	4	3,100 to 5,000	\$525,000 to \$685,000

Village 6 - U.S. Home/Rosieridge Development LLC

Village 6 is owned by Rosieridge Development LLC, of which U.S. Home is a 50% partner. U.S. Home is a wholly owned affiliate of Lennar Corporation. U.S. Home is responsible for the construction, marketing and sales of homes.

Grading of the Village 6 property is complete, and U.S. Home anticipates that in-tract infrastructure improvements in Village 6 will be complete by October 15, 2001. U.S. Home reports that as of September 1, 2001, 10 homes in Village 6 are under contract for sale to homeowners.

<u>Begin Home Construction</u>	<u>Open Model Homes</u>	<u>First Home Sale Closings</u>	<u>Estimated Last Home Sale Closings</u>	<u>Planned No. of Sgl. Fam. Homes</u>	<u>No. of Model Types</u>	<u>Approx. Square Footage</u>	<u>Proposed Price Range</u>
June 2001	Aug. 2001	Oct. 2001	Dec. 2004	126	3	2,700 to 4,500	\$420,000 to \$525,000

Village 7 - AKT Development

Village 7 is currently owned by AKT Development. The property to be developed as Village 7 is currently vacant and unimproved. AKT Development intends to submit a tentative map application by October 2001, which it anticipates will be approved by the second quarter of 2002, subdividing this property into 61 lots for single-family residential development. Lot development of the Village 7 property will require the construction of a road providing access between the Village 7 property and Sierra College Boulevard. Sierra College Boulevard will be constructed by Elliott Homes, the master developer of the neighboring Stoneridge East development, which anticipates constructing this improvement in 2005-06.

AKT Development anticipates that it will sell the Village 7 property to a merchant builder as either "paper lots" or finished lots depending on market conditions, and that the sale will close following tentative map approval and when construction of the access road (connecting this property to Sierra College Boulevard) has commenced. AKT Development anticipates that construction of this access road may occur in 2002 if the City will permit such construction in advance of the completion of the Sierra College Boulevard improvements. The construction schedule and unit mix for the homes to be constructed in Village 7 will be determined once the property is sold to a merchant builder. Village 7 is currently planned for 61 lots, however the Appraisal has assumed a 62 lot subdivision. The maximum allowable density is 90 lots and the actual number of lots developed may change as development progresses.

Entitlement Status. The Developers' proposed development of the property in the District is consistent with the Stoneridge Specific Plan, and other than the outstanding tentative and final maps described in the table below, no further discretionary land-use or zoning entitlements are required to develop the property in the District as currently planned. Tentative and final subdivision mapping of the property in the District is underway and nearly complete; the status of tentative and final subdivision maps is as follows:

	<u>Mapping Status</u>
Village 1	Final map approved
Village 2 ⁽¹⁾	Final map approved for 87 lots; final map for remaining 17 lots expected by October 2001
Village 3	Final map approved
Village 4	Final map approved
Village 5	Final map approved
Village 6	Final map approved
Village 7	Tentative map to be submitted in October 2001; approval anticipated in 2d quarter 2002; final map approval anticipated in the 4th quarter of 2002

⁽¹⁾ When Lennar Renaissance acquired Village 2 from AKT Development, the Village 2 property had a final subdivision map for 87 lots, and the remaining land was assumed to be unbuildable due to the presence of wetlands. However, AKT Development subsequently obtained a Section 404 Permit from the Army Corps of Engineers which allowed fill and development on this portion of the Village 2 property in return for off-site mitigation (consisting of the creation and preservation of wetlands on another site). A tentative map creating 17 lots on this property was subsequently approved.

Development Agreement

All of the property in the District is also subject to an approved Development Agreement as further described below.

General. The City approved a Third Amendment of Development Agreement (the "**Third Amended Development Agreement**") in July 2001, which was entered into in October 2001 among the City and certain of the Developers (AKT Development, Lennar Renaissance, U.S. Home, Acacia and GMAC) and owners of other property outside the District. The Third Amended Development Agreement amended an original development agreement entered into in 1998 by and between the City and the predecessor-in-interest to the Developers (collectively with the Third Amended Development Agreement, the "**Development Agreement**"). The Development Agreement is subject to the Stoneridge Specific Plan, and 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 development of land within

the Stoneridge Specific Plan, and sets forth the needed infrastructure improvements, park dedication requirements, timing and method for financing improvements and other specific performance obligations relating to the development of the property in the District.

The Development Agreement has a 20-year term with 17 years remaining, and is and will be binding on the Developers and all successor owner-developers of property in the District.

Improvements. The Development Agreement sets forth the responsibility of the Developers and their successors for a portion of the costs of certain public improvements required for its development within the Stoneridge Specific Plan area. Funding of the Improvements with Bond proceeds (and, if necessary, the pay-as-you-go mechanism) 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 and pay-as-you-go will be funded by the Developers. See "THE IMPROVEMENTS" below.

Environmental Matters

Flood Hazard Map Information. According to the Federal Emergency Management Agency's flood insurance rate maps (panel number 060263-0006 B, revised January 6, 1982), the developable portions of the property in the District are located within Flood Zone C and are described as areas of minimal flooding.

Wetland Conditions. According to the City's planning department, no jurisdictional wetlands will be affected by the development within the District, other than the property in Village 2 for which a wetlands fill permit has been issued.

Seismic Conditions. The property in the District is not located within the boundaries of an Alquist-Priolo Earthquake Fault Zone.

THE IMPROVEMENTS

General

The proceeds of the Bonds will finance a portion of the cost of the public improvements eligible to be financed with the proceeds of the Bonds (the "**Improvements**," as described below), which are located both within and outside of the District, and which are required for development within the District to proceed. The following roadway Improvements have been completed within the District: Secret Ravine Parkway, Alexandra Drive, and the majority of East Roseville Parkway (other than the Miner's Ravine bridge section of East Roseville Parkway). Roadway improvements generally include water, sewer, drainage, concrete curb, gutter and paving and all of the relevant utilities. Such Improvements provide access to the villages within the District.

Bond proceeds will fund some, but not all of the Improvements eligible to be financed by the District. The roadway improvements and related facilities have been constructed by AKT Development, which will convey those improvements to the City in return for reimbursement of a portion of their costs pursuant to a Funding, Construction and Acquisition Agreement, and for credits against certain impact fees intended to finance roadway improvements. Of the total \$16.8 million of estimated off-site infrastructure, approximately \$14.8 has been completed (see "Estimated Cost of the Improvements" below). All of the roadway improvements to be reimbursed from Bond proceeds are complete as of the date of this Official Statement and such

reimbursement is expected to be approximately \$11 million. The remaining Improvements are being financed through developer financing and developer impact fees payable at the time building permits are issued for home construction. Proceeds of the Bonds will prepay a portion of those developer impact fees following issuance of the Bonds. See "Estimated Cost of the Improvements" and "Construction and Acquisition of the Improvements" below.

Eligible Facilities

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 July 18, 2001 prepared by Economic & Planning Systems, Inc., Sacramento, California (the "**Special Tax Consultant**") in connection with the formation of the District.

The eligible Improvements authorized are as follows.

Roads

Secret Ravine Parkway. Construction of four lanes from the intersection of Roseville Parkway approximately 4,300 feet easterly, excluding the False Ravine Bridge. The roadway improvements include necessary roadway grading; asphalt paving with aggregate base; storm drainage facilities; curb and gutter; sidewalk; sewer facilities; water facilities; street signs; street lighting; landscape median islands; landscape corridors, including soundwalls; electrical facilities, including electric, telephone, gas and broadband facilities; and necessary appurtenances thereto, to provide sufficient width for four traffic lanes, appropriate turning lanes, widenings at intersections, and any other necessary or related improvements.

Alexandra Drive. Construction of two lanes from the intersection of Roseville Parkway northeast approximately 3,000 feet, consisting of necessary roadway grading; asphalt paving with aggregate base; storm drainage facilities; curb and gutter; sidewalk; sewer facilities; water facilities; street signs; street lighting; landscape corridors; electrical facilities, including electric, telephone, gas and broadband facilities; and necessary appurtenances thereto, to provide sufficient width for two traffic lanes, appropriate turning lanes, and any other necessary or related improvements.

Roseville Parkway Frontage Improvements. Frontage improvements to Roseville Parkway (including: grading and asphalt paving with aggregate base for the frontage lanes adjacent to the Property; storm drainage facilities; curb and gutter; sidewalk; sewer facilities; water facilities; street signs; street lighting; landscape corridors, including soundwalls; median landscaping; electrical facilities, including electric, telephone, gas and broadband facilities; and necessary appurtenances thereto, and any other improvements to Roseville Parkway that do not qualify for reimbursement from the City's Transportation Management Fees), to the extent the costs of such improvements are not otherwise reimbursed with proceeds from the existing Stoneridge Parcel No. 1 Community Facilities District No. 1.

Signals. Installation of traffic signals, including all underground conduit and appurtenances thereto, for the following intersections: Roseville Parkway and North Sunrise Boulevard, Roseville Parkway and Secret Ravine Parkway, Roseville Parkway and Alexandra Drive, Roseville Parkway and Rocky Ridge, and Roseville Parkway and Leadhill Drive, to the extent the costs of such signal improvements are not otherwise reimbursed with proceeds from the existing Stoneridge Parcel No. 1 Community Facilities District No. 1 or from the City's Traffic Mitigation Fees.

Drainage

Storm drain mains required by the Master Drainage Plan that are located within Stoneridge West and laterals located within the above-described road improvements.

Water

All on-site improvements to the water system required by the Master Water Study prepared by The Spink Corporation prepared in connection with the preparation of the Stoneridge Specific Plan in connection with the formation of the District that are located within the above-described road improvements and not otherwise reimbursed by the City from other funds.

Sewer

Sewer lift station and force main through certain parcels, and all on-site improvements to the sewer system required by the Master Wastewater Plan prepared by The Spink Corporation prepared in connection with the preparation of the Stoneridge Specific Plan in connection with the formation of the District that are located within the above-described road improvements.

Electric Facilities

All on-site electrical distribution facilities within the Stoneridge West development identified in the Acquisition Agreement (as defined herein), and all other electrical facilities located within the above-described road improvements.

Park Improvements

Park improvements to a planned park site in Village 2, including grading, hardscape, planting, irrigation and recreational facilities, and any other necessary or related improvements in accordance with the approved conceptual layout shown in the Specific Plan.

Other Facilities and Infrastructure

Other facilities and infrastructure eligible to be financed by the District include reimbursable improvements to Roseville Parkway, Neighborhood Park improvements, Citywide Park improvements, water improvements, and local and regional sewer improvements. Regional facilities and infrastructure may include the Stoneridge West project's share of County-wide improvements required to support the development of the Stoneridge West project.

Estimated Cost of the Improvements

Bond proceeds will fund some, but not all of the Improvements. The following table shows the cost estimates for the Improvements and the estimated amounts to be paid from Bond proceeds, including both direct reimbursements to AKT Development for roadway improvements and prepayment of impact fees that would otherwise be the responsibility of AKT Development and the other Developers. The remaining costs of the roadway Improvements will remain the responsibility of AKT Development, and the remaining impact fees will remain the responsibility of AKT Development and the other Developers. See "OWNERSHIP OF PROPERTY WITHIN THE DISTRICT" below for a description of sources of funding available to the Developers.

The CFD Hearing Report lists the costs of the Improvements, based on information obtained from River Rock Development Company, LLC, a consultant to AKT Development ("River Rock"), and Wood Rodgers Inc., as shown below.

The sources of funds below do not reflect the possibility that certain Improvements will be acquired using approximately \$1.8 million from the proceeds of the bonds issued in March 2000 by the Stoneridge Parcel 1 Community Facilities District No. 1 (the "Parcel 1 CFD"). Any proceeds of the Parcel 1 CFD bonds available to acquire Improvements will be used to offset AKT Development's share of the costs of Improvements shown below.

**Stoneridge West Community Facilities District No. 1
List of Authorized Facilities and Estimated Cost**

<u>Infrastructure Item</u>	<u>Total Estimated Cost</u> ⁽¹⁾	<u>Amount Anticipated To Be Funded with Bond Proceeds</u> ⁽²⁾	<u>Amount Anticipated To Be Funded by AKT Development</u> ⁽³⁾	<u>Amount Anticipated To Be Funded by Other Developers</u> ⁽⁴⁾
Infrastructure				
Roadways ⁽⁵⁾	\$10,002,032	\$4,060,960	\$5,941,072	\$ -0-
Water ⁽⁶⁾	1,995,150	1,995,150	-0-	-0-
Sewer ⁽⁶⁾	1,932,890	1,932,890	-0-	-0-
Miscellaneous Improvements ⁽⁷⁾	789,444	-0-	-0-	789,444
Subtotal Infrastructure	14,719,516	7,989,000	5,941,072	789,444
Parks and Trails				
Regional Parks ⁽⁸⁾	560,000	560,000	-0-	-0-
Neighborhood Parks ⁽⁹⁾	1,470,000	1,470,000	-0-	-0-
Bike Trails	125,000	-0-	-0-	125,000
Subtotal Parks and Trails	2,155,000	2,030,000	-0-	125,000
Total Estimated Costs	\$16,874,516	\$10,019,000	\$5,941,072	\$789,444

⁽¹⁾ Estimated costs are based on costs incurred to date by AKT Development for roadway Improvements that are complete or substantially complete, and the costs estimated for the remaining Improvements eligible to be funded through impact fees.

⁽²⁾ Based on estimate of Special Tax Consultant at the time the District was formed.

⁽³⁾ Represents the costs of roadway Improvements not reimbursable to AKT Development from Bond proceeds.

⁽⁴⁾ Represents remaining impact fees to be paid by the Developers (other than AKT Development) upon issuance of building permits for the construction of homes.

⁽⁵⁾ Represents roadway and related facilities to be constructed by AKT Development and conveyed to the City pursuant to a Funding, Construction and Acquisition Agreement. See "Construction and Acquisition of the Improvements" below. AKT Development will be reimbursed for a portion of the total roadway costs. The total amount includes electric facility costs. A portion of the roadway costs are eligible to be funded through impact fees.

⁽⁶⁾ Represents water and sewer improvements eligible to be funded through impact fees.

⁽⁷⁾ Includes "soft costs" associated with the Improvements, including planning and engineering costs.

⁽⁸⁾ Represents regional park improvements eligible to be funded through impact fees. The amount shown in this table is the estimated total of regional park impact fees that will be collected from Villages 1, 2, 3, 5, and 6.

⁽⁹⁾ Represents neighborhood park improvements for Parcel 18 eligible to be funded through impact fees. The amount shown in this table is the estimated total of neighborhood park impact fees that will be collected from Villages 1, 2, 3, 5, and 6. Lennar Renaissance intends to construct a turnkey park on Parcel 18 and may be reimbursed the cost of constructing the facility up to the amount of neighborhood park impact fees collected from the Stoneridge West development area.

Source: River Rock Development Company, LLC, and Wood Rodgers Inc.

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 (if Bond proceeds are not sufficient) through annual Special Tax collections in excess of the amount needed to pay the debt service on the Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Special Tax Methodology" and " – Special Tax Fund."

Construction and Acquisition of the Improvements

The City and AKT Development have entered into a Funding, Construction and Acquisition Agreement dated as of September 5, 2001 (the "**Acquisition Agreement**") which provides that AKT Development will construct (or cause to be constructed or funded) the portion of the Improvements consisting of roadways and related facilities, and the City, upon completion of construction and acceptance by the City, will purchase the Improvements. Upon completion of the Improvements and acceptance and acquisition by the City, proceeds of the Bonds will be used to pay a portion of the purchase price of the Improvements pursuant to the terms of the Acquisition Agreement. AKT Development will be responsible for the portion of the cost of construction of the Improvements not paid with Bond proceeds.

As of the date of this Official Statement, AKT Development has completed all of the roadway Improvements eligible to be acquired by the City. AKT Development anticipates that these roadway Improvements will be acquired by the City following issuance of the Bonds pursuant to the Acquisition Agreement.

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 Developers have 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 Developers

Below is a listing of the Developers and their planned developments:

	<u>Developer</u>	<u>Planned Single Family Homes</u> ⁽¹⁾	<u>Share of Special Tax Liability</u>
Village 1	Lennar Renaissance	170	21.72%
Village 2	Lennar Renaissance	104	11.25
Village 3	Acacia Credit Fund 7 and GMAC (Meritage Homes)	72	10.83
Village 4	AKT Development/RAH Development ⁽²⁾	99	14.89
Village 5	Lennar Renaissance	94	13.86
Village 6	U.S. Home & Roseridge Development	126	18.58
Village 7	AKT Development Corporation	61 ⁽³⁾	8.87
Total		726	100.00%

⁽¹⁾ Excludes approximately 2.9 acres intended for a public park, which is currently classified as Non-Taxable Parcels under the Special Tax Formula.

⁽²⁾ RAH Development currently owns 31 lots in Village 4, and is under contract with AKT Development to acquire the remaining 68 lots by November 15, 2001.

⁽³⁾ Based on proposed tentative map for Village 7, which is anticipated to be approved in the second quarter of 2002. It should be noted that the Appraisal assumed that the Village 7 property would be divided into 62 lots.

Source: *Economic & Planning Systems, Inc.*

AKT Development (Village 7)

AKT Development has acted as master developer for the property in the District. It originally acquired all of the property, made off-site improvements and sold Villages of "paper lots" to the other Developers. AKT Development does not plan to construct or sell homes to end users, but rather intends to sell its remaining land holding to merchant builders for home construction and sale. Currently all villages, except one village representing 61 single family lots have been sold to homebuilders, and one village representing 99 single family lots is partially sold and partially under contract for sale to a homebuilder.

Ownership Structure. AKT Development is a California corporation and land development company located in Sacramento, California that currently focuses on the development of master planned residential communities. AKT Development was founded by Angelo K. Tsakopoulos, who is the company's sole shareholder and serves as its chairman. Mr. Tsakopoulos has been responsible for management and control of AKT Development's operations, with a focus on long-range planning, acquisitions, project development, project construction and sales. Mr. Tsakopoulos has been involved in the real estate industry in the Sacramento region for over 40 years. During the last two decades, Mr. Tsakopoulos and his partnerships have developed land projects on which have been built more than 40,000 homes and over 30 million square feet of office, commercial and industrial space.

Similar Projects Undertaken by AKT Development. Recent master-planned communities completed or under development by AKT Development in California include the following:

<u>Project Name</u>	<u>Location</u>	<u>Description</u>
Laguna Creek	City of Sacramento	Master planned community, approx. 3,900 acres
Willow Creek Estates and Lexington Hills	Folsom	Mixed-use development, approx. 1,200 acres
Olympus Pointe	Roseville	Mixed-use development, approx. 936 acres
Natoma Station	Folsom	Master planned community, approx. 483 acres
Laguna West	Sacramento County	Master planned community , approx. 1,000 acres
Silver Springs	Southern Sacramento County	Large lot residential community surrounding a public golf course, approx. 1,100 acres
Northpointe	City of Sacramento	Residential community within the overall North Natomas development; approx. 946 acres
Stonelake	Southern Sacramento County	Master planned community with a private club facility; approx. 452 acres
Euer Ranch-Carson Creek	El Dorado County	Residential development; approx. 700 acres
Anatolia	Sunrise-Douglas area of Sacramento County	Planned residential community; approx. 1,226 acres

AKT Development Financing Sources. AKT Development intends to fund remaining infrastructure costs and carrying costs for its remaining property holdings in the District through internal corporate resources, including the proceeds of property sales to the Developers and other merchant builders, as well as a construction loan from Imperial Bank in the original principal amount of \$7,091,200, which is secured by the Village 4 property.

RAH Development (Village 4).

RAH Development has acquired a portion of the Village 4 property from AKT Development, and is under contract to acquire the remaining portion by November 15, 2001. RAH Development, LLC, is a California limited liability company formed in 2000, and is a Sacramento-based homebuilding and general contracting company. RAH Development is wholly owned by Robert A. Henrichs.

RAH Development currently serves as a contractor to the Sacramento Unified School District, and carries out assembly line framing for California Homes and Dunsmore Communities. RAH Development is also responsible for two residential developments currently under way: Masa ti, a multi-phase planned development located in the Olympic Valley near Lake Tahoe, which is expected to include 59 single-family homes and 160 condominiums on 40 acres; and New Hogan Lake Estates, a residential project located 20 miles east of Stockton in Valley Springs, which is expected to include 34 single-family homes.

RAH Development intends to finance home construction with a combination of (a) a secured construction loan in the original principal amount of \$3,000,000, which it has obtained from Imperial Bank and Weyerhaeuser Realty Investors, and (b) revenues from sales of completed homes within the project, which will be reinvested in the construction and sales of the remaining homes.

Future cash flow needs 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 proceeds from the sale of homes and the Imperial Bank/Weyerhaeuser Realty Investors loan.

Set forth below is RAH Development's estimate of the projected cash flow (over the next few years) attributable to sales of its property in the District. *These projections were prepared by RAH Development for internal planning purposes. No assurance is given that these projections can or will be met.*

**Stoneridge West
RAH Development Projected Land Sale Proforma
(Village 4)**

	<u>2001</u>	<u>2002</u>	<u>2003</u>
No. of Homes Sold	-0-	40	14
Lot Sales	25	20	-0-
Estimated Proceeds	\$5,420,000	\$26,000,000	\$8,250,000
Estimated Expenses			
Marketing	54,000	340,000	198,000
Taxes	228,000	170,500	32,200
General & Admin.	221,000	1,040,000	330,000
Bond Debt Service	38,250	91,800	21,420
Holding Costs	<u>272,000</u>	<u>1,664,000</u>	<u>660,000</u>
Total Expenses	813,250	3,306,300	1,241,620
NET CASH FLOW (excludes costs of construction)	<u>\$4,606,750</u>	<u>\$22,693,700</u>	<u>\$7,008,380</u>

Source: RAH Development.

The projections herein have been prepared by RAH Development strictly for internal purposes and should not be relied on by Bond purchasers as a basis for determining the market value of the Project.

Lennar Affiliates (Villages 1,2,5 & 6)

Lennar Renaissance, Renaissance Homes, Winncrest Homes and U.S. Home are subsidiaries and affiliates of Lennar Corporation, as described below. Lennar Renaissance owns all of the property in Village 1, 2 and 5. Property in Village 6 is owned by Roseridge Development LLC (of which U.S. Home is a 50% partner). All such villages are collectively planned for the development of 494 single family homes. Homes in Village 1 are being constructed by Renaissance Homes and Winncrest Homes; homes in Village 2 are being constructed by Winncrest Homes; homes in Village 5 are being constructed by Renaissance Homes and homes in Village 6 are being constructed by U.S. Home.

Lennar Corporation. Lennar Corporation ("Lennar") is a diversified real estate company headquartered in Miami, Florida and publicly traded on the New York Stock Exchange under the symbol LEN. As a publicly traded company, the stock of Lennar is widely held, but Leonard Miller, co-founder and Chairman of the Board, controls the voting stock of the company. Lennar is one of the country's leading homebuilders and developers of master planned communities. Lennar was founded in 1953 and has reported a profit each year since its inception.

Presently Lennar maintains construction and development operations in Arizona, California, Florida, Nevada and Texas. Homebuilding affiliates of Lennar that are active in California include Lennar Renaissance Inc., Renaissance Homes, Winncrest Homes, U.S. Home Corporation and Greystone Homes.

Financial information with respect to Lennar is included in documents filed with the Securities and Exchange Commission, particularly in its Annual Report on Form 10K and its most recent quarterly Report on Form 10Q.

For further information on Lennar see its Internet homepage located at www.lennar.com.

Lennar Renaissance – Renaissance Homes and Winncrest Homes (Villages 1, 2 & 5). Lennar Renaissance Inc., a California corporation (“Lennar Renaissance”) is the Sacramento division of and a wholly owned subsidiary of Lennar. Lennar Renaissance now markets homes under the names Renaissance Homes and Winncrest Homes, providing a wide diversity of product throughout the greater Sacramento area. In addition, Lennar Renaissance is one of the region’s largest land developers, operating as Lennar Communities. Jeff Spitzer, founder and former owner of Renaissance Homes, manages the homebuilding division, and Tom Winn, founder and former owner of Winncrest Homes, directs the activities of the land division. Winncrest Homes was established in 1968 and purchased by Lennar in February, 1998. At the time of its acquisition, Winncrest Homes was one of the region’s largest homebuilders and had been the lead entity in major land development projects in Antelope, Laguna Creek, Cameron Park, Rancho Murrieta, Folsom and Fairfield. For further information on Winncrest Homes see its Internet homepage located at www.winncresthomes.com. Lennar Renaissance owns all of the property in Village 1, 2 and 5 (representing 368 single family lots) and homes are being constructed by Renaissance Homes and Winncrest Homes.

For further information on Lennar Renaissance see its Internet homepage located at www.renaissancehomes.com.

Similar Projects Undertaken by Lennar Renaissance. Lennar Renaissance had 810 home closings in 2000, and anticipates approximately 1,079 home closings in 2001. Other projects recently completed and currently underway by Lennar Renaissance in the Sacramento area include:

<u>Project Name</u>	<u>City</u>	<u>No. of Lots</u>
Deer Ridge	Auburn	120
Collection at Saratoga	Roseville	85
Tiburon	Roseville	94
Foothills at Empire Ranch	Folsom	333
Montage	Elk Grove	173
Brookside	Elk Grove	99
Silverleaf	Elk Grove	126
Encore	Elk Grove	103
Sandalwood	Natomas Park/Sacramento	181
Somerset	Natomas Park/Sacramento	129
Westlake	Sacramento	111

Lennar Renaissance Financing Plan. Lennar Renaissance is using internal corporate resources to fund home construction, and does not plan to obtain third-party financing secured by its property in the District. The anticipated internal sources of funds for home development include revenues from sales of completed homes within the project, which will be reinvested in the construction and sales of the remaining homes.

Future cash flow needs 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 proceeds from the sale of homes and internal funds.

Set forth below is Lennar Renaissance's estimate of the projected cash flow (over the next few years) attributable to sales of its property in the District. *These projections were prepared by Lennar Renaissance for internal planning purposes. No assurance is given that these projections can or will be met.*

**Stoneridge West
Lennar Renaissance Projected Land Sale Proforma⁽¹⁾
(Villages 1,2 and 5)**

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004-2007</u>
No. of Homes Sold	19	162	148	39
Estimated Proceeds	\$7,000,000	\$64,800,000	\$62,900,000	\$16,575,000
Estimated Expenses				
Marketing	300,000	2,430,000	2,220,000	585,000
Taxes	70,000	648,000	629,000	165,750
General & Admin.	114,000	972,000	888,000	234,000
Bond Debt Service	<u>90,000</u>	<u>670,000</u>	<u>650,000</u>	<u>195,000</u>
Total Expenses	<u>574,000</u>	<u>4,720,000</u>	<u>4,387,000</u>	1,179,750
NET CASH FLOW (excludes costs of construction)	<u>\$6,426,000</u>	<u>\$60,080,000</u>	<u>\$58,513,000</u>	<u>\$15,395,250</u>

Source: Lennar Renaissance.

The projections herein have been prepared by Lennar Renaissance strictly for internal purposes and should not be relied on by Bond purchasers as a basis for determining the market value of the Project.

U.S. Home (Village 6). U.S. Home Corporation ("U.S. Home"), which is a Delaware corporation and a wholly-owned affiliate of Lennar, is carrying out home sales and development in Village 6. U.S. Home originally acquired the Village 6 (representing 126 single family lots) property from AKT Development in June 1999, and subsequently transferred all of the property to Roseridge Development, LLC, a California limited liability company ("Roseridge Development"). In-tract lot improvements are being carried out by Roseridge Development, which then sells finished lots to U.S. Home on a prescribed schedule (approximately 4 lots per month). U.S. Home then carries out home construction and marketing to end homeowners. As of September 26, 2001, U.S. Home owned 36 lots and Roseridge Development owned the remaining 90 lots.

The members of Roseridge Development are U.S. Home, which owns a 50% interest and serves as the managing member, and two individual investors, who each own a 25% membership interest.

Since its organization in 1954, U.S. Home has been one of the leading builders of homes in the United States, delivering more than 280,000 residences. Since 1969, U.S. Home has been a leader in the development of communities designed especially for active adult living, having

sold more than 44,000 retirement/active adult or second homes. U.S. Home has been building in the Sacramento and surrounding areas since 1981.

For further information on U.S. Home see its Internet homepage located at www.ushome.com.

Similar Projects Undertaken by U.S. Home. U.S. Home developed approximately 600 homes in the prior fiscal year, and anticipates completing 700 homes in 2001-02. Other projects recently completed and currently underway by U.S. Home in the Sacramento area include:

<u>Project Name</u>	<u>City</u>	<u>No. of Lots</u>
Heritage Lakeside	Elk Grove	254
Heritage Oaks	Roseville	195
Diamond Creek/Legends	Roseville	85
Grey Hawk	Granite Bay	36
Natomas Park/Legends	Sacramento	82
Natomas Park/Traditions	Sacramento	152
Westlake	Sacramento	108

U.S. Home Financing Plan. Roseridge Development has obtained a secured construction loan in the original principal amount of \$4,700,000 from BankOne, which it has used to construct in-tract roadway and other improvements. U.S. Home is using internal corporate resources to fund home construction, and does not plan to obtain third-party financing secured by its property in the District for home construction costs. The anticipated internal sources of funds for home development include revenues from sales of completed homes within the project, which will be reinvested in the construction and sales of the remaining homes.

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

Set forth below is U.S. Home's estimate of the projected cash flow (over the next few years) attributable to sales of property in the District. *These projections were prepared by U.S. Home for internal planning purposes. No assurance is given that these projections can or will be met.*

Stoneridge West
U.S. Home Projected Land Sale Proforma⁽¹⁾
(Village 6)

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004-2007</u>
No. of Homes Sold	10	42	42	32
Estimated Proceeds	\$5,000,000	\$21,000,000	\$21,000,000	\$16,000,000
Estimated Expenses				
Marketing	50,000	50,000	50,000	20,000
Taxes	75,000	75,000	50,000	25,000
General & Admin.	200,000	200,000	200,000	100,000
Bond Debt Service	150,000	100,000	50,000	20,000
Holding Costs	<u>750,000</u>	<u>750,000</u>	<u>400,000</u>	<u>100,000</u>
Total Expenses	1,225,000	1,175,000	750,000	265,000
NET CASH FLOW (excludes costs of construction)	\$3,775,000	\$19,825,000	\$20,250,000	\$15,735,000

Source: U.S. Home.

The projections herein have been prepared by U.S. Home strictly for internal purposes and should not be relied on by Bond purchasers as a basis for determining the market value of the Project.

Meritage Homes (Village 3)

Ownership and Financing Structure. Acacia Credit Fund 7 LLC is a Delaware limited liability company ("Acacia") that holds fee title to the production home lots in Village 3 being developed by Meritage Homes of Northern California, Inc., a California corporation ("Meritage Homes"). Meritage Homes has control of and options to purchase the lots under a "rolling option contract" arrangement. Similarly, GMAC Model Home Financing, Inc., a Virginia corporation ("GMAC"), is holding title to the model home lots in Village 3 being developed by Meritage Homes. Meritage Homes has control of and options to purchase the lots. Village 3 is planned to be developed as 72 single family homes.

The contractual arrangement between Meritage Homes and Acacia consists of a "rolling option contract," under which Meritage Homes controls the lots and purchases finished lots in batches in order to carry out home construction on those lots. Meritage Homes is responsible for all aspects of property development, including construction costs and carrying costs (including the payment of property taxes and the Special Taxes supporting the Bonds) even during the period in which Acacia is the fee owner of the lots.

The contractual arrangement between Meritage Homes and GMAC consist of a lease with an option to purchase, under which Meritage Homes leases the three model home lots from GMAC, and either purchases the finished model homes for resale to homeowners or finds homeowner/purchasers for the model homes and assigns its right to purchase the finished model homes to homeowners. Meritage Homes is responsible for all aspects of property development, including construction costs and carrying costs (including the payment of property taxes and the Special Taxes supporting the Bonds) even during the period in which GMAC is fee owner of the model home lots.

Meritage Homes. Meritage Homes is a subsidiary of Meritage Corporation, a publicly held company, traded on the New York Stock Exchange under the symbol "MTH." Meritage

Homes is the homebuilding arm of Meritage Corporation in northern California. Meritage Homes was formerly known as Sterling Communities, which Meritage Corporation acquired in 1998.

Meritage Corporation has homebuilding operations in northern California (under the Meritage Homes name), in the Phoenix and Tucson areas of Arizona (under the names Monterey Homes and Meritage Homes of Arizona), and in the Austin, Dallas/Fort Worth and Houston areas of Texas (under the Legacy Homes name). In September 2000 Meritage Corporation was named to Fortune magazine's list of 100 fastest growing companies.

For further information on Meritage Homes see its Internet homepage located at www.meritagehomes-ca.com, and for further information on Meritage Corporation see its Internet homepage located at www.meritagecorp.com.

Similar Projects Undertaken by Meritage Homes. Recent projects completed or under development by Meritage Homes in California include the following:

<u>Project Name</u>	<u>City</u>	<u>No. of Lots</u>
Sterling Hills at Empire Ranch	Folsom	228
Sterling Park	Tracy	264
Sterling Knolls	Antioch	252
Sterling Summit	Antioch	230
Diamond Creek	Roseville	97
Sterling Village	Rohnert Park	67
Sterling Reserve	Livermore	59
Sterling Greens at Wildhorse	Davis	43
Sterling Collection	Rocklin	125

In fiscal year 2000, Meritage Corporation closed a total of 2,227 homes in its Texas, Arizona and California operations, of which 365 home sale closings occurred in California. Meritage Homes plans to build over 450 homes in fiscal year 2002.

Meritage Homes Financing Plan. Meritage Homes is financing home construction with a secured revolving line of credit provided by Wells Fargo Bank in the total principal amount of \$150,000,000, which Meritage Homes is using to finance construction activities for its development in the District as well as for other development projects. Additional anticipated sources of funds for home development include revenues from sales of completed homes within the project.

Future cash flow needs 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 line of credit, proceeds from the sale of homes and internal funds.

Set forth below is the Meritage Homes' estimate of the projected cash flow (over the next few years) attributable to sales of the property it is developing in the District. *These projections were prepared by Meritage Homes for internal planning purposes. No assurance is given that these projections can or will be met.*

**Stoneridge West
Meritage Homes Projected Land Sale Proforma
(Village 3)**

	<u>2001</u>	<u>2002</u>	<u>2003</u>
No. of Homes Sold	6	36	30
Estimated Proceeds	\$2,700,000	\$16,200,000	\$13,500,000
Estimated Expenses			
Marketing	54,000	324,000	270,000
Taxes	32,400	194,400	162,000
General & Admin.	54,000	324,000	300,000
Bond Debt Service	110,160	100,000	50,000
Holding Costs	216,000	1,296,000	1,000,000
Total Expenses	<u>466,560</u>	<u>2,238,400</u>	<u>1,782,000</u>
NET CASH FLOW (excludes costs of construction)	<u>\$2,233,440</u>	<u>\$13,961,600</u>	<u>\$11,718,000</u>

Source: Meritage Homes.

APPRAISAL OF PROPERTY WITHIN THE DISTRICT

The Appraisal

General. Seevers Jordan Ziegenmeyer, Roseville, California (the “Appraiser”) prepared an appraisal report with a date of value of May 27, 2001 (the “Original Appraisal”), as updated by an Appraisal Update Report dated September 7, 2001 (the “Update Report” and, collectively, the “Appraisal”). The Update Report reaffirms the original value estimates for the property contained in the Original Appraisal, and states that the estimated value of the taxable land within the District as of September 5, 2001 is not less than the value set forth in the Original Appraisal. The Appraisal was prepared at the request of the City.

Excerpts from the Appraisal are 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 Stone & Youngberg LLC, 50 California Street, San Francisco, California 94111. 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. The valuation assumes completion only of infrastructure funded by the Bonds, accounts for the impact of the lien of the Special Tax and represents the bulk sale discounted value by each major owner group. The property appraised excludes property in the District designated for public and quasi public purposes in the Stoneridge Specific Plan. The value estimates for the property as of the September 5, 2001 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 September 5, 2001, are as follows:

	<u>Ownership as of Date of Value</u>	<u>Bulk Sale Discounted Value</u>
Villages 1, 2, 5 & 6	Lennar Renaissance and U.S. Home Corporation	\$47,290,000
Villages 4 & 7	AKT Development ⁽¹⁾⁽²⁾	15,530,000
Village 3	Acacia Credit Fund 7 and GMAC (Meritage Homes)	<u>10,115,000</u>
Cumulative Value:		\$72,935,000

⁽¹⁾ Since the date of value of the Appraisal, RAH Development acquired a portion of the Village 4 property from AKT Development, and entered into a contract to acquire the remaining portion of Village 4 by November 15, 2001. See "OWNERSHIP OF PROPERTY WITHIN THE DISTRICT."

⁽²⁾ The Appraisal as of its date of value (September 5, 2001) estimated 62 single family lots to be developed in Village 7. Currently AKT Development projects the development of 61 lots in Village 7. In a letter dated October 1, 2001, the Appraiser indicated that the valuation of September 5 is unchanged notwithstanding the potential reduction of one lot.

The appraisal methodology used in the Appraisal is based on the sales comparison approach to value, which was conducted as set forth below.

Aggregate Value. The retail value for the property groupings represents estimates of what an end user would pay for a finished property under the condition 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 sum of the specific values indicates the aggregate retail sales volume of the components cited, which is not equivalent to the market value of the property in the District as a whole.

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 – EXCERPTS FROM THE APPRAISAL."

- The value estimates assume the completion only of the public facilities to be financed by the Bonds and account for the impact on value of the lien of the Special Tax securing the Bonds.

- As of the May 27, 2001 date of value in the Original Appraisal, model home construction was underway in five Villages, and a substantial amount of the construction work for each of the respective model complexes had been completed in three Villages. In contrast, the other Villages had only completed a nominal amount of construction work related to the model homes. The Appraiser estimated the contributory value of homes that had exterior walls and the roof structure and covering complete. The remaining construction starts, with only foundation and some minimal framing work done, were valued as improved lots only. The nominal work completed at

these home sites was judged to offer minimal contributory value to the properties as a whole. The Update Report of September 7, 2001 noted that a substantial amount of work had been completed since the original May 27, 2001 date of value, but has not been included in the valuation analysis because the scope of work for the Update Report was to determine only a "not less than" value conclusion.

- 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 could 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 "SPECIAL RISK FACTORS — Future Land Use Regulations and Growth Control Initiatives" and "— Hazardous Substances" below. See "APPENDIX B — EXCERPTS FROM 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.

- The Appraisal assumed that the tentative subdivision map that will create Village 7 would contain 62 residential lots, for a total of 727 residential lots in the District. AKT Development currently anticipates that the tentative subdivision map for Village 7 (which is anticipated to be submitted to the City in September 2001 and approved in the 2d quarter of 2002) will include only 61 residential lots, for a total of 726 residential lots in the District. In a letter dated October 1, 2001, the Appraiser indicated that the valuation indicated on September 5, 2001 is unchanged notwithstanding the potential reduction of one lot.

Projected Absorption Period. The Appraisal estimated that the absorption period for the property in the District will be two years to achieve sell-out, under the assumption that the multiple subdivision would be sold to various homebuilders, and taking into consideration the current undeveloped condition of the Village 7 property.

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 "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 \$72,935,000 subject to the limiting conditions stated therein. (See "The Appraisal" above and Appendix B hereto.) The principal amount of Bonds is \$12,995,000. Consequently, the estimated bulk sale discounted value,

subject to the Special Tax lien, of the real property within the District, is approximately 5.6 times the principal amount of the Bonds. The maximum authorized principal amount of bonds to be secured by the Special Tax in the District is \$15,000,000, however, after the issuance of the Bonds, no additional bonds (other than refunding bonds) secured by the Special Tax may be issued.

Property in the District is also subject to an overlapping tax and assessment lien of approximately \$204,492 and an annual maintenance special tax. See "Overlapping Liens and Priority of Lien" below.

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.

Property in the District is currently subject to certain overlapping tax and assessment liens in the total amount of \$204,492, as shown in the overlapping debt statement below.

The property in the District is also subject to the special tax of an additional community facilities district for services known as the Stoneridge Community Facilities District No. 1 Services District. This district encompasses the boundaries of the District and the neighboring Stoneridge East Community Facilities District No. 1. The principal purpose of this district is to maintain certain portions of the landscaping located within the roadway corridors. This district is not authorized to issue bonds. The special tax levy of this district, the proceeds of which will be used to fund annual maintenance expenses of the landscaping, will be on a parity to the lien securing the Special Tax. The maximum annual special tax for this community facilities district is currently \$218 per single-family residential parcel. The maximum annual tax may escalate by no more than 4% annually.

The property is not subject to any other special tax or assessment liens (other than the lien of the Special Tax).

There can be no assurance that the Developers 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 Developers.

Private liens, such as deeds of trust securing loans obtained by the Developers, 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.

Overlapping Debt

The following table shows direct and overlapping debt affecting property in the District.

Stoneridge West Community Facilities District No. 1 Overlapping Debt Table

2000-01 Assessed Valuation: \$28,180,553

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 8/1/01</u>
Roseville Joint Union High School District	0.278%	\$119,980
Eureka Union School District	0.002	258
Roseville City School District	0.549	84,254
City of Roseville Stoneridge West Community Facilities District No. 1	100.	- ⁽¹⁾
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$204,492
<u>OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>		
Placer County Certificates of Participation	0.121%	\$ 32,119
Placer County Office of Education Certificates of Participation	0.121	3,872
Sierra Joint Community College District Certificates of Participation	0.085	4,420
Roseville Joint Union High School District Certificates of Participation	0.283	5,618
Eureka Union School District Certificates of Participation	0.002	164
Roseville City School District Certificates of Participation	0.568	127,800
City of Roseville Certificates of Participation	0.388	107,825
TOTAL OVERLAPPING GENERAL FUND OBLIGATION DEBT		\$281,818
COMBINED TOTAL DEBT		\$486,310 ⁽²⁾

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

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

Ratios to 2000-01 Assessed Valuation:

Direct Debt.....	- %
Total Direct and Overlapping Tax and Assessment Debt.....	0.73%
Combined Total Debt.....	1.73%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/01: \$0

Source: California Municipal Statistics, Inc.

SPECIAL RISK FACTORS

Failure to Develop Properties

There can be no assurance that land development operations within the District will not be adversely affected by a deterioration of the real estate market and economic conditions or the adoption of local, State and federal governmental policies relating to real estate development, the income tax treatment of real property ownership, or the national economy. A slowdown of the development process could adversely affect land values and reduce the ability or desire of the property owners to pay the annual Special Taxes. In that event, there could be a default in the payment of the Bonds.

Concentration of Ownership

All of the land within the District is currently owned or controlled by the Developers, who anticipate that all of the taxable property in the District will be developed and sold to homeowners; accordingly there is likely to be subsequent transfers of ownership of property within the District. However, although the Developers have begun property development and the construction of homes for sale to end users, there can be no assurance that the property development and construction, and home sales to end users, will occur on the schedule currently anticipated.

Failure of the Developers 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 under the Indenture. For a description of the Property Owners, 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."

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. A "Phase I" environmental site assessment was prepared for the property in the District in October 1996 in connection with the establishment of the Stoneridge Specific Plan, which did not indicate the presence of any hazardous substance or other environmental concerns within the District.

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.

Land Values

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.

Bankruptcy and Foreclosure Delays

General. The payment of a property owner's taxes and the ability of the District to foreclose the lien of delinquent unpaid Special Taxes may be limited by bankruptcy, insolvency, or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Delinquent Payments of Special Tax; Covenant for Superior Court Foreclosure," herein.

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, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

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. Such delay would increase the likelihood of a default in payment of the interest on the Bonds and the possibility of delinquent Special Tax installments not being paid in full.

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.

Glasply Marine Industries. On July 30, 1992, the United States Court of Appeals for the Ninth Circuit issued its opinion in a bankruptcy case entitled *In re Glasply Marine Industries*. In that case, the court held that ad valorem property taxes levied by Snohomish County in the State of Washington after the date that the property owner filed a petition for bankruptcy were

not entitled to priority over the claims of a secured creditor with a prior lien on the property. Although the court upheld the priority of unpaid taxes imposed before the filing of the bankruptcy opinion, unpaid taxes imposed after the filing of the bankruptcy petition were declared to be "administrative expenses" of the bankruptcy estate, payable after the claims of all secured creditors. As a result, the secured creditor was able to foreclose on the property and retain all the proceeds of the sale except the amount of the pre-petition taxes. There is no assurance a court would not declare the Special Taxes to be an "administrative expense."

According to the court's ruling, as administrative expenses, post-petition taxes would be paid assuming that the debtor has sufficient assets to do so. In certain circumstances, payment of such administrative expenses may be allowed to be deferred. Once the property is transferred out of the bankruptcy estate (through foreclosure or otherwise), it would at that time become subject to current ad valorem property taxes (i.e., not those accruing during the bankruptcy proceeding).

The Glasply decision is controlling precedent in bankruptcy court in the State of California. If Glasply were held to be applicable to Special Taxes, a bankruptcy petition filing would prevent the lien for Special Taxes levied in subsequent fiscal years from attaching so long as the property was part of the estate in bankruptcy, which could reduce the amount of Special Taxes available to pay debt service on the Bonds. However, Glasply speaks as to ad valorem property taxes, and not Special Taxes, and no case law exists with respect to how a bankruptcy court would treat the lien for Special Taxes levied after the filing of a petition in bankruptcy.

It should also be noted that on October 22, 1994, Congress enacted 11 U.S.C. § 362(b)(18), which added a new exception to the automatic stay for ad valorem property taxes imposed by a political subdivision after the filing of a bankruptcy petition. Under this new provision of law, in the event of a bankruptcy petition filed on or after October 22, 1994, the lien for ad valorem taxes in subsequent fiscal years will attach even if the property is part of the bankruptcy estate. However, the potential effect of 11 U.S.C. § 362(b)(18) on the Special Taxes depends upon whether a court were to determine that the Special Taxes should be treated like ad valorem taxes for this purpose.

Other Public and 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 an additional community facilities district known as the Stoneridge Community Facilities District No. 1 Services District. The property is not subject to any other special tax or assessment liens (other than the lien of the Special Tax). See "APPRAISAL OF PROPERTY WITHIN THE DISTRICT - Priority of Lien."

There can be no assurance that property owners within the District 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. See "SPECIAL RISK FACTORS – Parity Taxes and Special Assessments" below. 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.

Parity Taxes and Special Assessments

The Special Taxes and any penalties thereon will constitute a lien against the lots and parcels of land on which they will be annually imposed until they are paid. Such lien is on a parity with all special taxes and special assessments and is co-equal to and independent of the lien for general property taxes upon the same property regardless of when they are imposed. The Special Taxes have priority over all existing and future private liens imposed on the property.

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.

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 General Obligation of the City

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.

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 "Failure to Develop Properties" 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 XIII C and XIII D 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 XIII C removes limitations on the initiative power in matters of local taxes, assessments, fees and charges. Article XIII C does not define the term "local taxes" and it is unclear whether this term is intended to include special taxes levied under the Act. 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.

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 2000-2001 fiscal year (due January 15, 2002) and to provide notices of the occurrence of certain enumerated events.

Lennar Corporation 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, 2002 (the "**Developer Annual Report**") and to provide notices of the occurrence of certain enumerated events. Lennar Corporation's obligation to provide such information is in effect only so long as Lennar Corporation 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 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 did not file in a timely manner 1998 annual reports as required by undertakings under the Rule in connection with certain previous financings by the City. The City has since filed all information required by such undertakings and has established a new procedure to provide for the timely filing of all information required by such undertakings and the Continuing Disclosure Agreement 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 \$12,739,819.15 (which is equal to the par amount of the Bonds, less an original issue discount of \$57,007.10 and less the Underwriter's discount of \$198,173.75). 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.

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
Finance Director

APPENDIX A
RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX
CITY OF ROSEVILLE
STONERIDGE WEST
COMMUNITY FACILITIES DISTRICT NO. 1

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APPENDIX A

CITY OF ROSEVILLE

STONERIDGE WEST
COMMUNITY FACILITIES DISTRICT NO. 1

RATE AND METHOD OF APPORTIONMENT

1. BASIS OF SPECIAL TAX LEVY

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

2. DEFINITIONS

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

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

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

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

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

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

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

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

"CFD" means the Stoneridge West Community Facilities District No. 1 of the City of Roseville.

"City" means the City of Roseville, California.

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

"County" means the County of Placer, California.

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

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

"Final Use Parcel" means a Parcel with a residential structure and a certificate of occupancy permit and is owned by an individual owner other than the builder. A Final Use Parcel may also be a custom residential lot without a residential structure which is owned by an individual property owner.

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

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

"Maximum Annual Special Tax" means the greatest amount of Special Tax that can be levied against a Taxable Parcel in any Fiscal Year. Each time a taxable parcel is subdivided, the Maximum Annual Special Tax will be reassigned to the Successor Parcels.

"Maximum CFD Revenue" means the sum of the Maximum Annual Special Tax for all of the Taxable Parcels in the CFD. The Maximum CFD Revenue shall be \$1,017,300. This amount may be adjusted by Resolution of City Council to reflect the actual Maximum Annual Special Tax for all Taxable Parcels.

"Original Parcel" means the Parcels that lie within the boundaries of the CFD at the time of formation, as shown on **Map 1**. Original Parcels are identified in **Attachment 1**, wherein each Original Parcel is assigned a Maximum Annual Special Tax.

"Outstanding Bonds" means the total principal amount of bonds that have been issued by the CFD and not retired or defeased.

"Outstanding Bond Share" means the amount calculated for a Parcel to prepay the Special Tax obligation for the CFD. This amount is derived by subtracting the Reserve Fund Share from the Bond Share, and adding to that result any costs associated with the redemption of bonds, further delineated in Section 7, Step A.5.

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

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

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

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

"Reserve Fund Share" means the lesser of (i) the reserve requirement on all Outstanding Bonds, or (ii) the Reserve Fund balance on all Outstanding Bonds, multiplied by the Benefit Share for a given Parcel.

"Special Tax(es)" mean(s) any tax levy under the Act in the CFD.

"Subdivision" means one or more Successor Parcels created from an Original Parcel(s) or Successor Parcel(s) through the Subdivision Map Act process.

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

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

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

"Tax-Exempt Parcel" means a Parcel not subject to the Special Tax. Tax-Exempt Parcels include: (1) Public Parcels identified at the formation of the CFD or created by subdivision of an Original or Successor Parcel, (2) a Parcel designated in the Stoneridge Specific Plan as a Public Parcel, and (3) any Parcel that has prepaid its Special Taxes under Section 7 hereof.

3. DETERMINATION OF PARCELS SUBJECT TO SPECIAL TAX

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

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

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

4. TERMINATION OF THE SPECIAL TAX

The Special Tax will be levied for as long as is needed to pay the principal and interest on debt incurred in order to construct the authorized facilities and to pay the Annual Costs. However, in no event shall the Special Tax be levied after Fiscal Year 2035-2036.

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

5. ASSIGNMENT OF MAXIMUM ANNUAL SPECIAL TAXES

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

Classify Each Taxable Parcel as an Original Parcel or a Successor Parcel.

The assignment of the Maximum Annual Special Tax to Taxable Parcels is as follows:

- a) Original Parcels - The Maximum Annual Special Tax for an Original Parcel shall be determined by assigning the Maximum Annual Special Tax from **Attachment 1** to each Original Parcel as shown in **Map 1**
- b) Successor Parcel - the Maximum Annual Special Tax for each Successor Parcel of a Original Parcel is determined as follows:
 - (i) If the Successor Parcel is the result of a single family residential or individually owned residential condominium Parcel Subdivision, divide the Maximum Annual Special Tax assigned to the Original Parcel, as identified in step a), by the number of single family residential Parcels or

residential condominium units. The result of this calculation is the Maximum Annual Special Tax for each single family residential or residential condominium Successor Parcel within the Subdivision.

- (ii) If the Successor Parcel is the result of a non-residential or multi-family Subdivision, or a single family residential Subdivision that is not creating final residential lots:
 - calculate the percentage of the taxable Successor Parcel's square footage to the total square footage for all taxable Successor Parcels of that Specific Plan Parcel or Successor Parcel; then,
 - multiply this percentage by the Maximum Special Tax assigned to the previous Specific Plan Parcel or Successor Parcel. The result of this calculation is the Maximum Special Tax.
 - c) Residential Unit/Maximum Annual Special Tax Transfer - the Maximum Annual Special Tax assigned to a single family residential Parcel under steps a) or b) may be adjusted to reflect a change in the number of originally planned residential units (as shown in **Attachment 1**) resulting from a transfer of units from one Successor Parcel to another Successor Parcel if:
 - any decrease in one Parcel's Maximum Annual Special Tax assignment is offset by an equal increase in the Maximum Annual Special Tax of other Parcels to ensure that there is no net loss in the total Maximum Annual Special Taxes; and,
 - all adjustments are agreed to in writing by the affected property owners and the Finance Director.
- Such adjustment shall be made in the following manner:
- (i) Calculate the existing Maximum Annual Special Tax per unit by dividing the Maximum Annual Special Tax for the Parcel by the number of units assigned to that Parcel;
 - (ii) Calculate the total Maximum Annual Special Tax being transferred by multiplying the number of units being transferred by the calculation in step (i). Add the total Maximum Annual Special Tax and number of units being transferred to the Parcel(s) receiving the transferred units and Maximum Annual Special Tax.
 - (iii) Subtract the total Maximum Annual Special Tax and the number of residential units being transferred, as identified in step (ii), from the Parcel transferring the Maximum Annual Special Tax and the residential units.
- d) Maximum Annual Special Tax Shift - If the assignment of Maximum Annual Special Taxes to Successor Parcels under step b), or through a transfer of

Maximum Annual Special Tax in step c), results in inequitable Maximum Annual Special Taxes between residential Subdivisions, the revised Maximum Annual Special Taxes may be shifted between Parcels further to accommodate a uniform Special Tax throughout the CFD. Such adjustments shall also be subject to the transfer conditions under step c) above.

- e) Conversion of a Tax-Exempt Parcel to a Taxable Parcel - if a Public Parcel is not needed for public use and is converted to a private use, it shall become subject to the Special Tax. The Maximum Annual Special Tax for each such Parcel shall be set equal to the average Maximum Annual Special Tax per unit or acre for Parcels with similar land use designations, as determined by the Finance Director.
- f) Taxable Parcels Acquired by a Public Agency - A Taxable Parcel acquired by a public agency after the CFD is formed will remain subject to the applicable Special Tax unless the Special Tax obligation is satisfied pursuant to Section 53317.5 of the Government Code. An exception to this may be made if a Public Parcel within the CFD is relocated to a Taxable Parcel, the previously Tax-Exempt Parcel of comparable acreage becomes a Taxable Parcel, and the Maximum Annual Special Tax from the previously Taxable Parcel is transferred to the newly Taxable Parcel. This trading of Parcels will be permitted to the extent that there is no net loss in Maximum CFD Revenue.

6. SETTING THE ANNUAL SPECIAL TAX LEVY

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

- 1) Compute the Annual Costs using the definitions in Section 2.
- 2) Calculate the Special Tax for each Parcel as follows:
 - Step 1: Compute 100% of the Maximum 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.
- 3) Prepare the Tax Collection Schedule for each Parcel and send it to the County Auditor requesting that it be placed on the general, secured property tax roll for the following Fiscal Year. The Tax Collection Schedule shall not be sent later than the date required by the Auditor for such inclusion.

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

As development and subdivision of Parcels within the CFD take place, the Finance Director will maintain a file of each current assessor's parcel number within the CFD, its Maximum Annual Special Tax, and the authorized Maximum Annual Special Tax on all Parcels within the CFD available for public inspection. This record shall show the Maximum Annual Special Tax on all Original Parcels and Successor Parcels and a brief description of the process of assigning the Special Tax each time a Original or Successor Parcel was created, including any adjustments due to change in use. The record will also indicate whether a Parcel is a Prepayment Parcel.

7. PREPAYMENT OF SPECIAL TAX OBLIGATION

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

- The Parcel is either (i) a whole Specific Plan Parcel greater than one acre, (ii) a Successor Parcel greater than ten acres, or (iii) a Final Use Parcel.
- The City determines that the Prepayment of the Special Tax obligation does not jeopardize its ability to make timely payments of debt service on outstanding bonds.
- Any landowner prepaying the Special Tax obligation must pay any and all delinquent Special Taxes and penalties for the prepaying Parcel.

The Prepayment amount shall be established by following the steps in Part A below. Transfers from the Reserve Fund for a Prepayment are described in Part B below.

Part A: Prepayment of Outstanding Bond Share

- Step A.1: Determine the Maximum Annual Special Tax for the Parcel based on the assignment of the Maximum Annual Special Tax described in Section 5.
- Step A.2: Determine the Benefit Share by dividing the Maximum Annual Special Tax determined in Step A.1 by the Maximum CFD Revenue for all Parcels in the CFD.
- Step A.3: Determine the Bond Share for the Parcel by multiplying the Benefit Share From Step A.2 by the total amount of Outstanding Bonds issued by the CFD.
- Step A.4: Calculate the Reserve Fund Share associated with the Bond Share determined in Step A.3 and reduce the Bond Share by the amount of the Reserve Fund Share. The Reserve Fund Share is equal to the reserve requirement on all outstanding bonds multiplied by the Benefit Share. At the City's discretion, the Reserve Fund Share may be withheld from the Prepayment calculation and refunded to the Prepaying landowner at the time that bonds are called.

Step A.5: Determine the Outstanding Bond Share by adding to the amount calculated in Step A.4 any fees, call premiums, amounts necessary to cover negative arbitrage from the date of the prepayment to first call date on the bonds, and expenses incurred by the City in connection with the prepayment calculation or the application of the proceeds of the prepayment.

Part B: Transfers

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

Transfer the Reserve Fund Share from the Reserve Fund to the prepayment fund.

8. ADMINISTRATIVE CHANGES AND APPEALS

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

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

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

9. MANNER OF COLLECTION

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

**CITY OF ROSEVILLE
STONERIDGE WEST
COMMUNITY FACILITIES DISTRICT NO. 1
SPECIAL TAX DIAGRAM**

Map 1 - Boundary Map

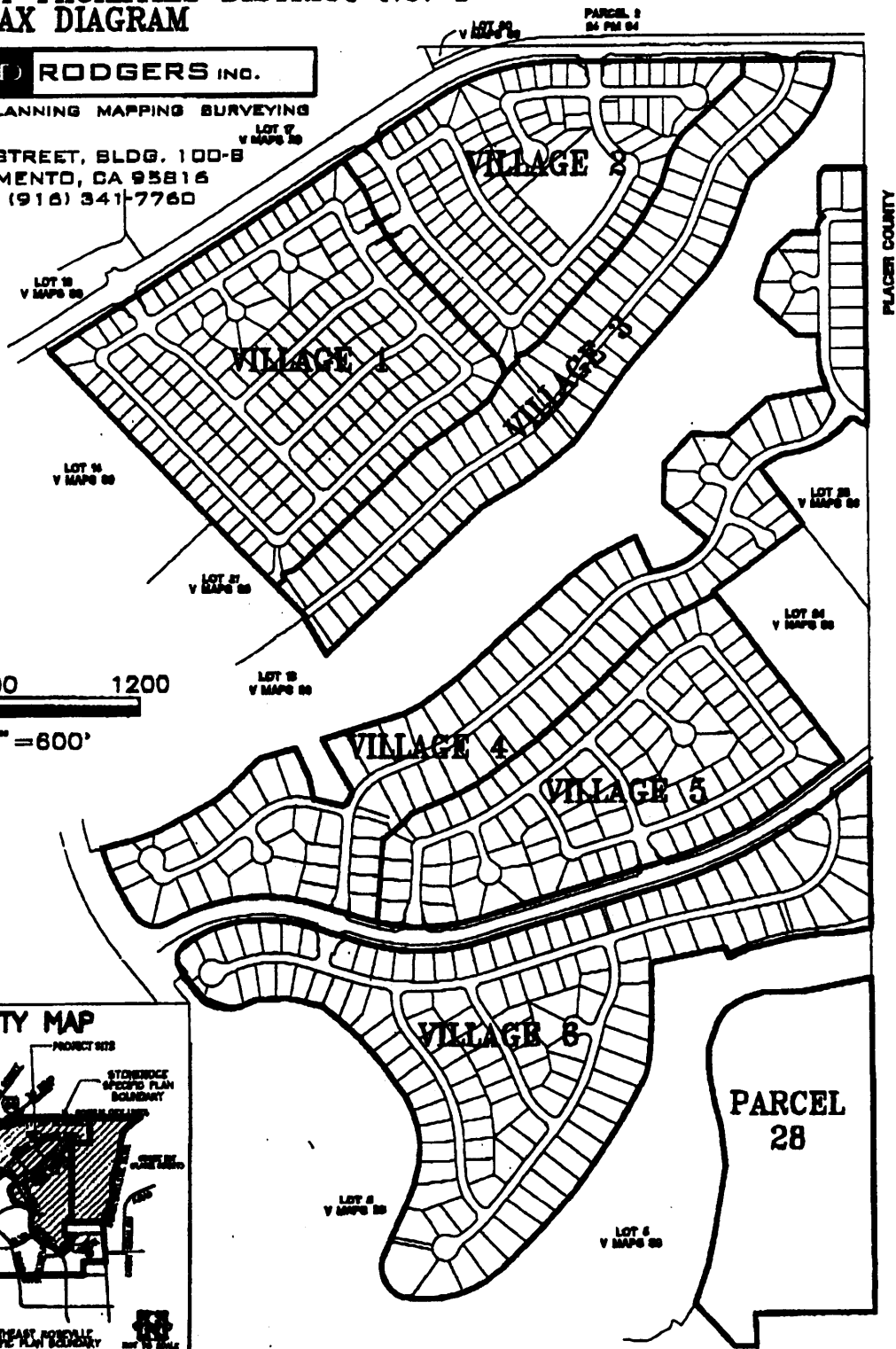
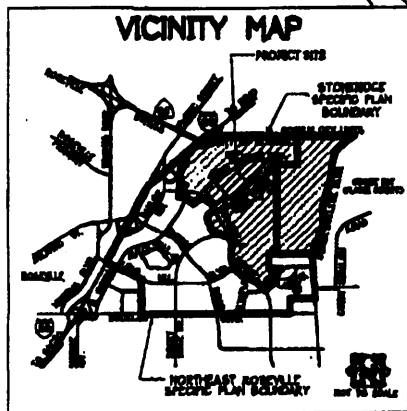
WILLI D. RODGERS INC.

ENGINEERING PLANNING MAPPING SURVEYING

3301 C STREET, BLDG. 100-B
SACRAMENTO, CA 95816
PHONE: (916) 341-7760



0 300 600 1200
SCALE: 1" = 600'



Attachment 1
City of Roseville
Stoneridge West CFD No. 1
Maximum Annual Special Tax - Original Parcels

Village	Assessor's Parcel Number	Planned Units	Estimated Maximum Annual Special Tax Rate [1]	Maximum Annual Special Tax
Village 1 [2]	456-020-001 to 068	66	\$1,300	\$85,800
Village 1 [3]	456-030-001 to 045	41	\$1,300	\$53,300
Village 1 [4]	456-040-001 to 064	63	\$1,300	\$81,900
Village 2 [5]	456-070-001 to 059	54	\$1,100	\$59,400
Village 2 [6]	456-080-001 to 036	50	\$1,100	\$55,000
Village 3 [7]	456-090-001 to 020	18	\$1,530	\$27,540
Village 3 [8]	456-100-001 to 028	26	\$1,530	\$39,780
Village 3 [9]	456-110-001 to 030	28	\$1,530	\$42,840
Village 4	456-010-013	99	\$1,530	\$151,470
Village 5 [10]	456-050-001 to 053	44	\$1,500	\$66,000
Village 5	456-060-001 to 050	50	\$1,500	\$75,000
Village 6	456-010-014	126	\$1,500	\$189,000
Parcel 28	456-010-015	58	\$1,530	\$88,740
Parcel 28	456-010-016	1	\$1,530	\$1,530
Totals		724		\$1,017,300

"Attachment_1"

- [1] Estimated Maximum Annual Special Tax Per Unit is calculated by dividing the Maximum Annual Special Tax by the number of Planned Units. The Maximum Annual Special Tax per unit will be calculated by dividing the Maximum Annual Special Tax by the actual number units created by a final map. If fewer units are created than estimated in this table, the Maximum Annual Special Tax per unit will increase unless the Special Tax is transferred pursuant to provisions of Section 5.C.
- [2] APNs 456-020-067 & 068 are landscape corridors at the subdivision entry and are tax-exempt as specified in the tax formula.
- [3] APNs 456-030-042 through 045 are landscape corridors at the entry to the subdivision and are tax-exempt, as specified in the tax formula.
- [4] APN 456-040-064 is a public utility easement and is tax-exempt, as specified in the tax formula.
- [5] APNs 456-070-055 & 056 are landscape corridors at the entry to the subdivision. APN 456-070-057 is a public utility easement. APN 456-070-058 is open space, and APN 456-070-059 is a public park. All of these parcels are tax-exempt, as specified in the tax formula.
- [6] APN 456-080-034 is designated as "remainder lands". Seventeen taxable lots are proposed to be created on this parcel. APNs 456-080-035 and 036 are landscape corridors at the entry to the subdivision, and will be exempt from the special tax, as specified in the tax formula.
- [7] APNs 456-090-019 & 020 are landscape corridors at the subdivision entry and are tax-exempt as specified in the tax formula.
- [8] APNs 456-100-027 & 028 are public utility easements and are tax-exempt, as specified in the tax formula.
- [9] APNs 456-110-029 & 030 are public utility easements and are tax-exempt, as specified in the tax formula.
- [10] APNs 456-050-045, 046, and 048 to 053 are landscape corridors at the entry to the subdivision. APN 456-050-047 is a public utility easement. These parcels are tax-exempt, as specified in the tax formula.

APPENDIX B
EXCERPTS FROM THE APPRAISAL

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COMPLETE APPRAISAL SELF-CONTAINED REPORT

*Stoneridge West
Community Facilities District No. 1
Roseville, California*

PREPARED FOR

Mr. Russ Branson, Finance Director
City of Roseville
2000 Hilltop Circle
Roseville, California 95747

PREPARED BY

Seevers • Jordan • Ziegenmeyer
2220 Douglas Boulevard, Suite 220
Roseville, California 95661
Phone # (916) 782-3113
Fax # (916) 782-0482

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SEEVERS • JORDAN • ZIEGENMEYER

Real Estate Appraisal & Consultation

September 7, 2001

Mr. Russ Branson, Finance Director
City of Roseville
2000 Hilltop Circle
Roseville, California 95747

RE: Properties within Stoneridge West
Community Facilities District No. 1
Roseville, California

Dear Mr. Branson:

We have analyzed market data for the purpose of estimating market value (fee simple estate - subject to special tax and special assessment liens) of the properties within the Stoneridge West Development, Community Facilities District No. 1, under the assumptions and conditions set forth 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 Advisory Commission. This document is presented in a self-contained 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).

The Stoneridge West Community Facilities District No. 1 bond issuance is scheduled to fund certain of the public improvements required for the development of 727 single-family residential lots. The financing provided will be used for improvements to Secret Ravine Parkway, Alexandra Drive, Roseville Parkway Frontage Improvements, traffic signals, drainage, water, sewer, electric facilities, park improvements, and other miscellaneous improvements.

The appraised properties are located north of Olympus Drive, west of Sierra College Boulevard, east of East Roseville Parkway and south of Secret Ravine Parkway. For the reader's reference, we have detailed the number of lots contained within the Stoneridge West, Community Facilities District No. 1 in the following table.

STONERIDGE WEST RESIDENTIAL SUMMARY			
PARCEL	# UNITS	TYPICAL LOT SIZE	Ownership
Village No. 1	170	7,150	Lennar
Village No. 2	104	6,600	Lennar
Village No. 3	72	10,800	Meritage
Village No. 4	99	14,867	AKT
Village No. 5	94	10,000	Lennar
Village No. 6	126	10,000	U.S. Homes (Lennar)
Lot 28*	62	7,500	AKT
Total Units	727		

**Estimates based on proposed map*

We have been requested to provide a value estimate for each of the subject properties according to the current ownership, under the assumptions and conditions cited in the attached report.

The income approach is not presented in this report due to the fact that land purchasers do not typically use this approach. Thus, the income approach to value is not considered applicable to this appraisal problem. The market value conclusions of the subject properties are based on the sales comparison approach to value.

The retail value for the subject's property groupings represents estimates of what an end user would pay for a finished property under the condition requisite to a fair sale. In this appraisal, a property is considered finished if it were in a state where it could be purchased and then fully developed shortly thereafter. This implies that all major infrastructure is in place, the subdivision map is ready for final approval, and the in-tract improvements can 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.

The bulk sale value represents the most probable price, in a sale of certain parcels within Stoneridge West Community Facilities District No.1, to a single purchaser or sales to multiple buyers, over a reasonable absorption period discounted to present value. It is noted that the sum of the specific values indicates the aggregate retail sales volume of the components cited, which is not equivalent to the market value of the district as a whole.

The value estimates also assume that each transfer would reflect a cash transaction or terms, which are considered to be equivalent to cash. The estimates are 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 that neither is under undue stress. The following estimates represent the market values for each ownership component, as well as the cumulative value of the properties in the district. The value estimates assume the completion of the public facilities to be financed by the Stoneridge West Community Facilities District No. 1 bond issuance and account for the impact of the lien of the Special Tax securing the Bonds. For the reader's reference the subject's component values and cumulative value are presented below:

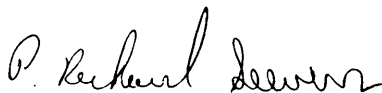
OWNERSHIP	VILLAGES	BULK VALUE
Lennar	1, 2, 5 & 6	\$47,290,000
AKT	4 & parcel 28	\$15,530,000
Meritage	3	\$10,115,000
Cumulative Value		\$72,935,000

This letter must remain attached to the report, which contains 101 pages plus related tables, exhibits and Addenda, in order for the value opinion set forth to be considered valid.

We hereby certify that the properties have been inspected and we have impartially considered all data collected in the investigation. Further, we have no interest in the properties, and the appraisal has been made in accordance with the professional standards of the Appraisal Institute.

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, 2002


Kevin K. Ziegenmayer, Appraiser
State Certification No. AG013567
Expires: June 4, 2003

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ADDENDA – (BOUND SEPARATELY)

1. CFD BOUNDARY MAP
2. PARCEL 28 SCHEMATIC LAND PLAN
3. STONERIDGE SPECIFIC PLAN
4. DEVELOPMENT AGREEMENT
5. RATE AND METHOD OF APPORTIONMENT
6. FIGURE 1 STONERIDGE COSTS AND CONSTRUCTION PROCEEDS
7. REVISED DRAFT HEARING REPORT STONERIDGE WEST CFD NO. 1
8. VILLAGE #4 PURCHASE AGREEMENT
9. GREGORY GROUP DATA SHEETS – NEW HOME SUBDIVISIONS
10. QUALIFICATIONS OF APPRAISER (S)

SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS

Project Name:

Stoneridge West, encumbered by Community Facilities District No. 1

Property Type:

Low-density single-family residential land

Ownership Entities:

Ownership of the subject parcels is summarized as follows:

STONERIDGE WEST RESIDENTIAL SUMMARY			
PARCEL	# UNITS	TYPICAL LOT SIZE	OWNERSHIP
Village No. 1	170	7,150	Lennar
Village No. 2	104	6,600	Lennar
Village No. 3	72	10,800	Meritage
Village No. 4	99	14,867	AKT
Village No. 5	94	10,000	Lennar
Village No. 6	126	10,000	U.S. Homes (Lennar)
Lot 28*	62	7,500	AKT
Total Units	727		

**Estimates based on proposed map*

Property Rights Appraised:

Fee simple, subject to special tax and special assessment liens.

Location:

West of Sierra College Boulevard, north of Olympus Drive, east of East Roseville Parkway, and south of Secret Ravine Parkway; Roseville, California

Assessor's Parcel Number(s):

A complete list of the subject's APN(s) is included in the Rate and Method of Apportionment document related to this proposed district. A copy of this report is presented in the Addenda to this report.

Zoning:

Low density residential (6.9 units or less per acre)

Flood Zone:

The subject property is situated within Flood Zone C. This flood zone is described as areas of minimal flooding. This information was determined in accordance with our interpretation of Flood Insurance Rate Map - Community-Panel Number 060263-0006 B, revised January 6, 1982, published by the Federal Emergency Management Agency.

Earthquake Zone:

The subject properties are not located within a seismic special studies zone, designated by the California State Division of Mines and Geology, in accordance with the Alquist-Priolo Special Study Zone Act of 1972.

Gross Land Area:

224.3 acres

Current Use:

Under development to single family residential subdivisions.

Highest and Best Use:

Completion of the proposed project as a single-family residential development.

Date of Value:

May 27, 2001

Date of Report:

September 7, 2001

OWNERSHIP	VILLAGES	BULK VALUE
Lennar	1, 2, 5 & 6	\$47,290,000
AKT	4 & parcel 28	\$15,530,000
Meritage	3	\$10,115,000
Cumulative Value		\$72,935,000

PURPOSE OF THE APPRAISAL

The purpose of this appraisal is to estimate the cumulative value (fee simple, subject to special tax and assessment liens) of the subject properties assuming the completion of the primary infrastructure and facilities to be funded by the Stoneridge West Community Facilities District No. 1 bond issuance.

INTENDED USE OF THE APPRAISAL

It is our understanding that the report will be used by the City of Roseville for bond underwriting purposes.

CLIENT AND INTENDED USER OF THE APPRAISAL

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

PROPERTY RIGHTS APPRAISED

The estimates of value derived in this report are for the fee simple estate. The definition of this real property interest is offered 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.¹

The rights appraised are also subject to the Assumptions and Limiting Conditions 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 value estimates reflect the completion of the public facilities to be financed by bonds and account for the impact of the lien of the Special Tax securing the Bonds.

TYPE OF APPRAISAL AND REPORT FORMAT

As requested by the client, this report documents a complete appraisal of the subject properties. Further, it is presented in a self-contained 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).

DATE OF INSPECTION

The subject properties were inspected on May 27, 2001.

¹ The Dictionary of Real Estate Appraisal, 3rd ed. (Chicago: Appraisal Institute, 1993) 140.

EFFECTIVE DATE OF VALUE

Our analysis is concerned with the valuation of the subject properties included in Community Facilities District No. 1 (Stoneridge West), assuming completion of the primary infrastructure and facilities to be funded by the Community Facilities District. Thus, for purpose of this analysis the date of value, based on the assumed condition, is our date of inspection (May 27, 2001).

DATE OF REPORT

This report was completed and assembled on September 7, 2001.

APPRAISAL PROBLEM

The appraisal problem is to estimate the cumulative value of the subject properties assuming the completion of the infrastructure to be funded by the Stoneridge West Community Facilities District (CFD) No. 1 issuance. The appraised properties consist of 557 detached single-family residential lots (villages 1, 2, 3, 5, and 6), 99 partially improved lots (village 4), one parcel planned for development with 62 single-family residential lots, and 9 partially completed single family residences (portions of villages 1 and 2). The Community Facilities District No.1 bond issuance, along with additional funds from the master developer, is scheduled to fund the development of these parcels.

The appraised properties are located west of Sierra College Boulevard, north of Olympus Drive, east of Roseville Parkway, and south of Secret Ravine Parkway. For the reader's reference, we have detailed the number of lots that comprise the subject properties in the following table.

STONERIDGE WEST RESIDENTIAL SUMMARY			
PARCEL	# UNITS	TYPICAL LOT SIZE	OWNERSHIP
Village No. 1	170	7,150	Lennar
Village No. 2	104	6,600	Lennar
Village No. 3	72	10,800	Meritage
Village No. 4	99	14,867	AKT
Village No. 5	94	10,000	Lennar
Village No. 6	126	10,000	U.S. Homes (Lennar)
Lot 28*	62	7,500	AKT
Total Units	727		

**Estimates based on proposed map*

We have been requested to provide two value estimates for the subject properties, under the assumptions and conditions previously cited.

The retail value for each land use component of the subject properties, by ownership, will be derived by utilizing the sales comparison approach to value. The subject's partially completed homes will be valued as if complete by employing both the sales comparison and cost approaches to value. The retail value estimates will then be integrated into the discounted cash flow portion of the subdivision development method. This portion of the analysis will provide the bulk value (market value) for each of the subject's components, by ownership. The sum of these estimates represents the cumulative value for the properties within the CFD.

A discounted cash flow analysis will be utilized to value the ownership entities that hold title to more than one village (i.e. Lennar and AKT Development) under the subdivision development method. The four components of our discounted cash flow analysis will be 1) revenue, 2) absorption analysis, 3) expenses and 4) discount rate.

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 Advisory Commission.

APPRAISAL PREMISE DEFINITIONS

This appraisal of the subject properties has been made in accordance with the following definitions:

Market Value

The most probable price which 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 interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in United States 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.²

Marketing Period

1. The time it takes an interest in real property to sell on the market subsequent to the date of an appraisal.
2. Reasonable marketing time is an estimate of the amount of time it might take to sell an interest in real property at its estimated market value during the period immediately after the effective date of the appraisal; the anticipated time required to expose the property to a pool of prospective purchasers and to allow appropriate time for negotiation, the exercise of due diligence, and the consummation of a sale at a price supportable by current market conditions. Marketing time differs from exposure time, which is always presumed to precede the effective date of the appraisal.³

Exposure Time

1. The time a property remains on the market.
2. The estimated length of time the property interest being appraised 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; a retrospective estimate based upon an analysis of past events assuming a competitive and open market. Exposure time is always presumed to occur prior to the effective date of the appraisal. The overall concept of reasonable exposure encompasses not only adequate, sufficient and reasonable time but also adequate, sufficient and reasonable effort. Exposure time is different for various types of real estate and value ranges and under various market conditions.⁴

Hypothetical Value Estimate

A value that is contrary to what exists, but is supposed for the purpose of analysis.⁵

² Federal Register, vol. 55, no. 163, August 22, 1990, 34228 and 34229.

³ The Dictionary of Real Estate Appraisal, 3rd ed. (Chicago: Appraisal Institute, 1993) 220.

⁴ The Dictionary of Real Estate Appraisal, 126.

⁵ USPAP, 2000 Edition 11.

MARKETING TIME AND EXPOSURE PERIOD

Marketing Time

Market participants indicate that, if appropriately priced, each of the subject parcels could be marketed within a twelve-month time frame. Inherent within the marketing time estimate is pricing at or near market and the listing of the property with a competent brokerage firm. This estimate of marketing time is applicable to each individual property, and assumes that all subject parcels are not marketed for sale at the same time. This is basically consistent with the average marketing times of other vacant residential properties located in the city of Roseville and surrounding areas within Placer County.

Exposure Period

Inherent in the definition of market value and marketing time is an adequate amount of exposure on the open market. Two excerpts for the definitions of both market value and marketing time are listed as follows:

Market Value:

“... a reasonable time is allowed for exposure in the open market.”

Marketing Time:

“...the anticipated time required to expose the property to a pool of prospective purchasers and to allow appropriate time for negotiation...”

Based on recent historical market conditions, the exposure time for the subject properties is estimated to be equal to the marketing time previously stated (12 months - proceeding the date of value).

SCOPE OF THE APPRAISAL

The scope of this report included:

- A physical inspection of the subject properties and all comparable market data;
- Verification of public information relating to property assessments, zoning and utilities;
- Telephone and personal interviews with persons considered knowledgeable regarding the subject properties and similar properties;
- An estimate of a probable marketing time for the subject properties based on sales and listings of similar properties and interviews with local real estate professionals;
- An analysis of local area land use trends as well as proposed and/or present construction activity;
- A determination of the highest and best use as vacant according to the four tests of legal permissibility, physical feasibility, financial feasibility and maximum profitability was determined for each land use designation;
- An estimate of value for the subject's residential lots and partially completed homes;
- An estimate of the absorption period for the residential lots and new homes;
- Derivation of the expenses associated with the sell-out of the subject's different components (by ownership);
- Derivation of a discount rate for application in the subdivision development method of valuation;
- An estimation of the aggregate value for the subject properties, assuming completion of infrastructure funded by the Community Facilities District No. 1 bond issuance. This aggregate value will be used to derive a bulk value estimate (market Value) for the subject properties; and
- An estimate of the subject properties' total value, based on the bulk value estimates concluded for each component (by ownership).

The market data contained in this report was obtained from a variety of sources, is considered reliable, and has been utilized to document the valuation conclusions.

EXTRAORDINARY ASSUMPTIONS AND LIMITING CONDITIONS

1. *The estimate of market value contained within this report assumes the completion of the public infrastructure improvements to be financed with the Community Facilities District No. 1 bond issuance. In summary, the improvements include roadway improvements (Secret Ravine Parkway, Alexandra Drive, East Roseville Parkway Frontage Improvements), traffic signals, drainage system improvements, water, sewer, electric, park, and additional miscellaneous improvements.*
2. *The values derived in this report are directly tied to the subdivision map and phasing of the project provided by the master developer. Any significant change in the number or size of the new parcels, or in the phasing of the project, could affect the value of the subject properties. It is assumed the subject parcel 28 will be subdivided and phased as represented by the master developer for this analysis.*
3. *The value conclusions contained in this report are based, in part, on development cost information provided by the developer. Any significant change in these costs could have a direct impact on the value estimates concluded in this report. The appraisers specifically assume that the cost information provided is accurate.*
4. *The appraised properties are located in an area that is to be encumbered by community facilities district bond obligations for the provision of infrastructure improvements. Typically, upon the sale of such a property, the outstanding bond obligations are passed through to the buyer. The estimates of value reported herein include value increments related to this bond indebtedness. In short, the value estimates reported reflect the completion of the public facilities to be financed by the bonds and account for the impact of the lien of the Special Tax securing the Bonds.*
5. *The portions of the Stoneridge West properties designated for public and quasi-public purposes are not subject to the Community Facilities District No. 1 special tax levy. Therefore, these land areas are excluded from valuation.*
6. *As of the date of the appraisal report, September 4, 2001, a subdivision plan for parcel 28 had not been finalized. However, as of this date, a preliminary plan indicates the property could potentially accommodate development of 62 single-family residential lots, with a minimum lot size of 7,500 square feet. For the purposes of this analysis, we have assumed a development of this size and configuration can be developed on the parcel.*
7. *As of our date of inspection, five of the subject's individual subdivisions were constructing model homes. Three of these subdivisions had completed a substantial amount of the construction work for each of the respective model complexes. In contrast, the other two subdivisions had only completed a nominal amount of construction work related to the model homes. In this analysis we will estimate the contributory value of homes that had exterior walls and the roof structure and covering complete. The remaining construction starts, with only foundation and some minimal framing work done, were valued as improved lots only. The nominal work completed at these home sites is judged to offer minimal contributory value to the properties as a whole.*

8. *A portion of the regional improvements required to serve the Stoneridge project, as well as surrounding properties in the Roseville area, are contractually the responsibility of the City of Roseville. One of the more notable improvements meeting this profile is the East Roseville Parkway bridge over the Miner's Ravine. Considering the fact that these improvements are exclusively the responsibility of the city of Roseville, we have not considered either their status or their remaining costs to complete in our valuation of the subject properties. Even so, it should be noted that much of the work related to the regional water line extensions in the Stoneridge West development have been completed and paid for directly by the City. In addition, reportedly the bridge over Miner's Ravine will be completed in the 4th quarter of this year. We have specifically assumed that those regional improvements required and obligated for completion by the City will be completed in the near term.*
9. *The Revised Draft Hearing Report, Stoneridge West CFD No. 1, dated July 18, 2001, cites 724 lots in total for the Stoneridge West development. In contrast, we have been provided maps for every component of the Stoneridge West development which in total reflect a lot count of 727 lots. The disparity between the Hearing Report references to lot count and the maps relates to Parcel 28 of the subject properties. According to the master developer's consultant (Ryan Fong of River Rock Development) Parcel 28 was originally mapped for 59 lots. However, the current map for this land area is based on a total lot count of 62 lots. For purposes of this analysis we will rely on the latest map proposed for Parcel 28 and thus a total lot count of 727 for the Stoneridge West development.*
10. *Villages 1, 2, and 5 of the Stoneridge West development were sold in a single transaction to Lennar Communities. However, due to some problems with Wetlands the total lot count of 104 for Village 2 has not yet been achieved. Instead, Lennar Communities took title to the entire land area identified as Village 2 (proposed for 104 lots) with only 87 lots receiving final map status (subsequently improved). Reportedly the problems associated with Wetlands issues are currently being resolved. According to Mr. Fong (River Rock Development) once the Wetlands issues are resolved and the map for the remaining 17 lots is finalized Lennar Communities will compensate AKT Development (original seller) for this remainder property. Recognizing the fact that the property that comprises the 17 lots referenced above has transferred to Lennar Communities, we have in this analysis included this land area in the ownership component of Lennar Communities.*

GENERAL ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal report is subject to the following general assumptions and limiting conditions:

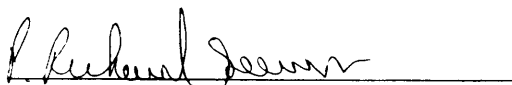
1. *No responsibility is assumed for the legal description provided or for matters pertaining to legal or title considerations. Title to the properties is assumed to be good and marketable unless otherwise stated.*
2. *No responsibility is assumed for matters of law or legal interpretation.*
3. *The properties are 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 that there are no hidden or unapparent conditions of the properties, 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 that the properties are 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 that the properties conform 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 that 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 that the use of the land and improvements is confined within the boundaries or property lines of the properties described and that 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 properties, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the properties. 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 properties. The value estimated is predicated on the assumption that there is no such material on or in the properties 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. We have not made a specific survey or analysis of these properties 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 constitute 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.*

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 is my personal, impartial and unbiased professional analyses, opinions, and conclusions;
- I have no present or prospective interest in the properties that are the subject of this report, and no personal interest with respect to the parties involved;
- I have no bias with respect to the properties that are 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 a personal inspection of the properties that are the subject of this report;
- Kevin Ziegenmeyer, Appraiser and R. Philip Henderson, MAI inspected the subject properties and provided significant real property 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; and
- 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, 2002)

CERTIFICATION OF VALUE

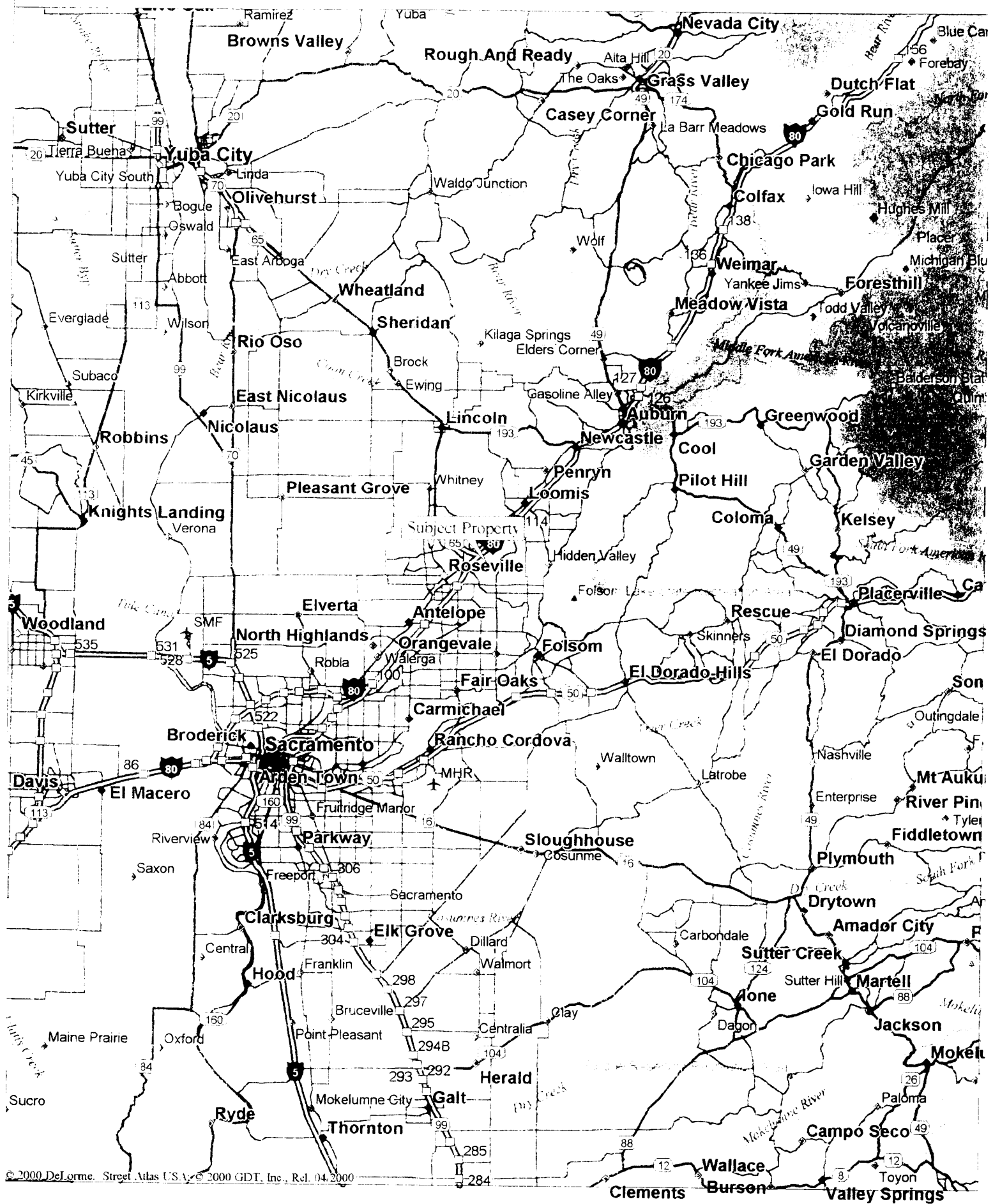
I certify that, to the best of my knowledge and belief:

- 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 properties that are the subject of this report, and no personal interest with respect to the parties involved;
- I have no bias with respect to the properties that are 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 a personal inspection of the properties that are the subject of this report;
- P. Richard Seevers, MAI, reviewed 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; 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.: AG0 (Expires: June 4, 2003)

REGIONAL MAP



SOUTH PLACER COUNTY OVERVIEW

Area Profile

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 Lake Tahoe. South Placer is comprised of four incorporated cities, Auburn, Lincoln, Rocklin, and Roseville, as well as a number of unincorporated cities, the largest of which are Loomis and Granite Bay.

The county currently 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. South Placer County is bordered by Sacramento County on the south, Sutter County on the west and Yuba County on the northwest. The northeast and east sides are bordered by the remainder of Placer County. At the southern border of this region is Roseville, the county's largest city, which encompasses approximately 31.6 miles. To the northeast are Rocklin, Loomis, and Auburn, and Lincoln lies north of Roseville. The remaining area is occupied by unincorporated cities.

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 earthquake in San Francisco. Loomis and Newcastle were and continue to be major fruit-producing cities. Lincoln's greatest resource was its clay deposits, which led to the establishment of the Gladding McBean terra-cotta plant, one of South Placer's greatest enterprises and the only remaining major manufacturer of decorative architectural terra cotta in America. Auburn represents the heart of the historical heritage in South Placer, as it played a great role in the California Gold Rush; its preserved, historic Old Town district continues to be a large tourist attraction.

Geography, Climate and Seismic Conditions

South Placer marks the beginning of the Sierra Nevada Foothills; it is characterized predominantly by rolling hills and steep mountainous terrain. 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 through the northern part of Sacramento County and meets with Folsom Lake in South Placer. Bear River flows along the northern boundary of South Placer County, dividing it from Nevada County.

South Placer land uses are as follows: Roseville and Rocklin are urban developments, Loomis and Auburn are primarily rural residential, with some urban development in Auburn. Lincoln is part urban development and a large part agricultural.

The climate of South Placer is warm and dry in the summer with an average daytime high temperature of 95°F, and a cool 58°F at night. During South Placer's winters, average temperatures range from 52°F to 37°F. Due to the snowfall in the Sierra Nevada Mountains, South Placer generally has adequate water during the summer. During South Placer's 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 experienced consistent growth between 1990 and 2000. The annual population increase of approximately 3.0 percent during this period exhibits a higher than statewide average.

The primary points of origin for new immigrants into the region are from the Bay Area and Southern California. Following is a table representing the total population increase in South Placer County and its component cities (adjusted for 1995 revisions in the base data) from 1992 to 2000.

POPULATION – SOUTH PLACER COUNTY								
City	1992	1995	% Change 1992-1995	1997	% Change 1995-1997	1999	2000	% Change 1997-2000
Auburn	11,050	11,150	0.9%	11,550	3.5%	11,700	11,400	-1.3%
Lincoln	7,675	7,800	1.6%	8,200	5.1%	8,825	9,675	18.0%
Loomis	5,800	5,950	2.6%	6,050	1.7%	6,050	5,925	-2.1%
Rocklin	22,650	25,850	14.1%	28,000	8.3%	31,950	35,250	25.9%
Roseville	49,500	56,500	14.1%	63,500	12.4%	72,100	74,200	16.9%
Total	96,675	107,250	10.9%	117,300	9.4%	130,625	136,450	16.3%

Source: California Department of Finance, Demographic Research Unit

POPULATION – SOUTH PLACER BORDERING COUNTIES								
County	1992	1995	% Change 1990-1992	1997	% Change 1995-1997	1999	2000	% Change 1997-2000
El Dorado	134,100	142,900	6.6%	144,000	0.8%	151,300	152,900	6.2%
Nevada	82,200	85,900	4.5%	87,700	2.1%	90,300	91,100	3.9%
Sacramento	1,085,000	1,115,100	2.8%	1,139,500	2.2%	1,189,100	1,209,500	6.1%
Sutter	68,200	73,000	7.0%	75,400	3.3%	77,200	77,900	3.3%
Yuba	60,600	62,100	2.5%	60,800	-2.1%	60,200	60,700	-0.2%
Total	1,430,100	1,479,000	3.4%	1,507,400	1.9%	1,568,100	1,592,100	5.6%

Source: California Department of Finance, Demographic Research Unit

South Placer County contains two of the four fastest growing cities in the Sacramento region, (Roseville and Rocklin), that currently have populations of 74,200 and 35,250 respectively. It is projected that these cities, as well as others in South Placer, will continue this growth at least until 2015.

Transportation

A significant advantage of the South Placer area is its central location with respect to transportation systems. Interstate 80 and Route 65 are state freeways that run through the county. Urban arterials include Douglas Boulevard, Sierra College Boulevard, Sunrise Avenue, Auburn-Folsom Road, and Watt Avenue.

In addition to roadways within the county limits, South Placer enjoys a proximity to many of the Sacramento region's freeways that provide access to the San Francisco Bay Area to the west, the Los Angeles Basin to the south, Oregon to the north, and Nevada to the east. South Placer is also proximate to the Sacramento International Airport, and, within its own neighborhood, railroads such as the transcontinental Southern Pacific Railroad and Amtrak. Other modes of transportation in and out of South Placer include the Greyhound Bus line and numerous trucking lines.

Community Facilities

Education

South Placer County has an established educational base with education institutions within its county limits, as well as neighboring counties. Sierra Community College in Rocklin offers a wide range of day and evening classes and serves over 16,000 students and Heald College, a business and technology vocational school, recently opened in Roseville. Nearby, in Sacramento County, are numerous community colleges and the California State University at Sacramento. Approximately 30 miles to the southwest is the University of California at Davis, Yolo County.

The public education system in South Placer is one that ranks high in reading, writing, and math. Roseville students consistently rank in the 70-90th percentiles, compared to other schools in California. Elementary, middle, and high schools continue to be built and to grow in each of the cities, and especially in Roseville and Rocklin, as the population increases. According to the State of California, Department of Finance, enrollment in public K-12 schools is expected to increase approximately 20% by the year 2005.

Health Care

South Placer County is located within 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; it

provides emergency services and various outpatient services. Kaiser-Permanente, also located in Roseville, provides outpatient services to Kaiser Health Plan members. Finally, Sutter Hospital provides immediate care services.

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 number of convalescent homes that provide senior care, including a recently approved Eskaton senior care facility and the Rocklin Villas, scheduled to open in Rocklin in 2001.

Recreation

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

Because of its 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. There are a number of events and festivals, such as the Eggplant Festival in Loomis, the Mandarin Festival in Newcastle and the Clayfest in Lincoln, which occur year round in the county. In addition, arts and theater performances are very 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 alternatives.

Outdoor parks and golf courses are very prevalent, as the natural landscaping and climate of South Placer lend themselves well to outdoor recreation. Among the more popular parks are the Maidu Park in Roseville and Johnson Springview Park in Rocklin. Some popular golf courses include Twelve Bridges Golf Course in Lincoln, Whitney Oaks Golf Club in Rocklin, The Ridge in Auburn, and the Granite Bay Golf Club in Granite Bay.

Finally, for the more contemporary individual, South Placer County recently added two multi-plex movie theatres, featuring 12 screens, stadium seating, and state of the art technology. For the gourmet, there are a number of fine-dining establishments, and many more are in proposed or Construction stages. For shopping enthusiasts, shopping centers are widespread, the largest of which, the Galleria in Roseville (a 1.1 million square foot regional shopping mall), opened for business on August 25, 2000.

New Construction

Auburn

Unlike the other cities in South Placer, Auburn's rate of growth has been relatively slow. Residential development is considerably smaller, with the largest approved subdivision project of 80

lots awaiting construction. However, growth over the years has been steady and the city is almost fully developed. Any additional expansion will likely occur outside the city boundaries, predominantly areas west of the city.

Granite Bay

South Placer's wealthiest community, Granite Bay, has managed to retain the characteristics of a semi-rural town, with minimal commercial development. Still, it also continues to grow. Steady growth in school enrollment is expected over the next couple of years, and, although major residential projects, such as Treelake Village and Johnson Ranch, are nearing build-out, it is expected that smaller projects will continue to bring additional housing.

Lincoln

In the recent past, Lincoln has begun to experience some of the growth that its neighboring cities had been enjoying. Projects underway include Dell Webb's Sun City Lincoln Hills, which plans to build 5,000 homes in the next couple of years. Another large residential project (proposed), just outside the city of Lincoln, is the Bickford Ranch development. Located between Lincoln and Newcastle, this development proposes to accommodate 5,000 residents and a golf course.

In addition to residential developments, Lincoln is seeing expansion in other industries. Sierra College and the Western Placer Unified School District are considering a shared campus within the Twelve Bridges development. There is also the possibility of establishing a wastewater treatment plant within the city.

Loomis

Like Granite Bay, Loomis seeks to retain rural traits by closely monitoring developer's interest in its community. A major fruit producing and agricultural community, it has lots on the outer edges of town that are typically over 4 acres.

Rocklin

Proposed development in Rocklin includes a number of new schools, lodging facilities, and residential uses. Two schools in the planning or construction process are Twin Oaks Elementary School and Granite Oaks Middle School. Microtel, containing 102 lodging units, and Rocklin Park Hotel, expanding by 54 rooms and a 300-capacity conference room, are two examples of lodging facilities that have been developed within this maturing community.

The residential market in Rocklin continues to be among the most active in the Sacramento region. The Stanford Ranch development is nearing completion; Whitney Oaks, which has been on the market for a couple of years, still has a number of merchant builders actively constructing new homes; and although Sunset West began selling its first new home subdivision in August 1999,

much of the land within this master plan has already been acquired or is under contract. Finally, retail is also experiencing growth in Rocklin as three new retail businesses will begin to fill the vacant blocks on Granite Drive.

Roseville

The largest of the communities in South Placer, Roseville has experienced tremendous growth in all segments of development and has achieved a good balance between residential, commercial, and industrial development. Like Rocklin, residential developments in Roseville, both single and multi-family, are among the most active in the Greater Sacramento/South Placer region.

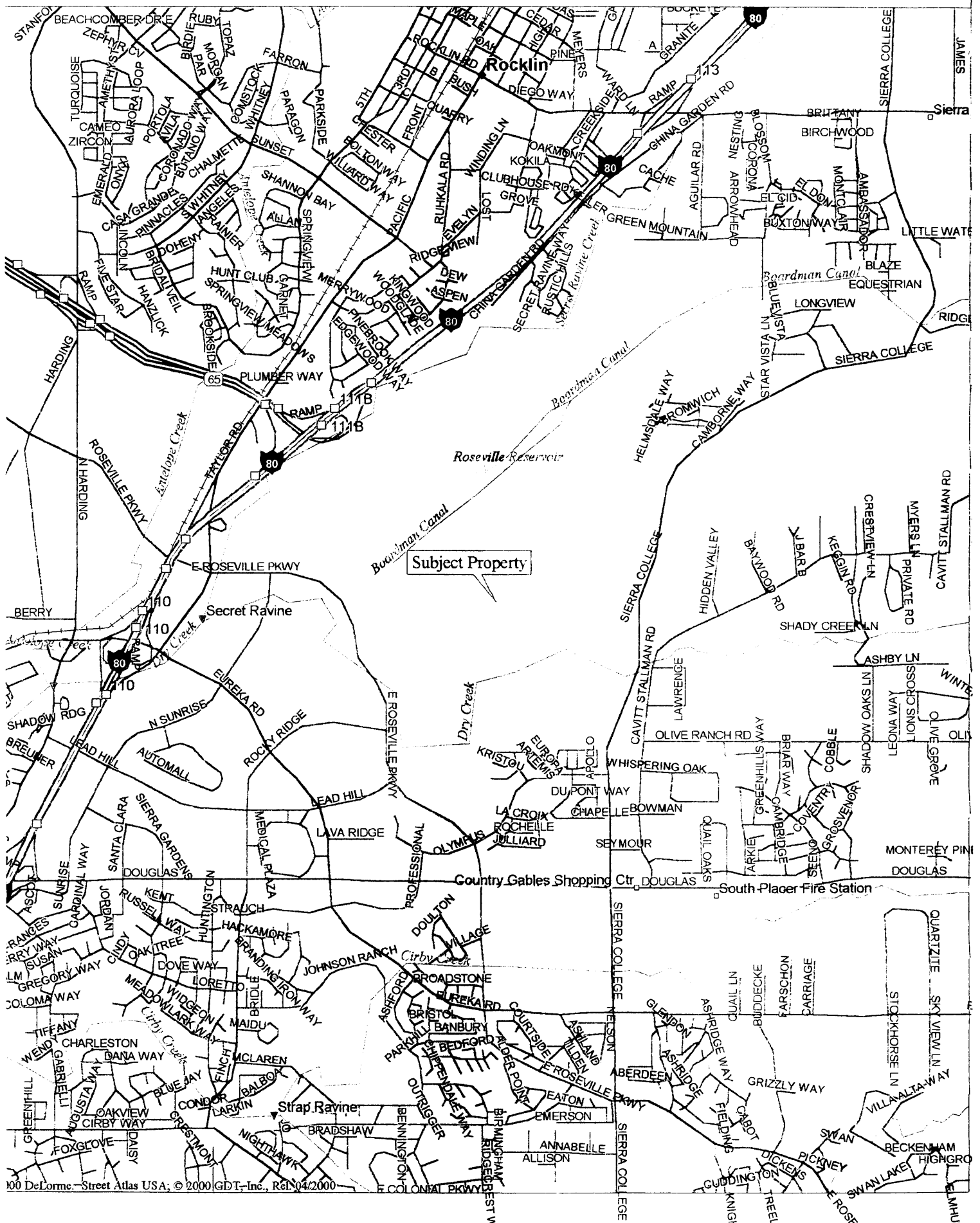
New homes in master planned neighborhoods with prices well above the majority of other submarkets are typical of Roseville. Woodcreek Oaks is nearing completion; Highland Reserve, located on the south side of Highway 65, is in the midst of build-out, with builders continuing construction of new homes. One of Roseville's more recent and prominent master planned developments is the Stoneridge project (of which the subject parcels are a portion). Stoneridge, a relatively upscale community, is located to the north of Douglas Boulevard and east of Interstate 80, off of East Roseville Parkway. The primary infrastructure work for this project is almost completed, and there are many subdivisions located in the western section of the master planned community that are currently marketing homes for sale.

Commercial development is booming as retail and new business growth continues to steadily increase. There has been an increase of 260% in retail sales in the past 10 years. The opening of the Galleria, a 1.1 million square foot regional mall, in August 2000 has added to this growth by creating approximately 2,500 new jobs. New employers, as well as expanding existing businesses, continue to add to the annual job growth of approximately 6%, or 2,500 new jobs a year.

Conclusion

South Placer County is experiencing significant increases in retail and commercial business and employment, which result in increases in population and residential developments. With an infrastructure well planned for growth, this emerging district continues to attract the attention of top employers, and relatively high-income residents. The area has a number of positive attributes, including seismic stability, a very-well-educated and growing work force, good transportation systems, affordability and availability of housing and a good mix of community services.

NEIGHBORHOOD MAP



NEIGHBORHOOD CHARACTERISTICS

This section of the report provides an analysis of the observable data that indicates 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."⁶

The subject property is located in Southwestern Placer County within the City Limits of Roseville, approximately 20 miles northeast of the Central Business District of Sacramento, California. The neighborhood is generally bounded by Interstate 80 to the west, Folsom Lake to the east, Rocklin Road to the north, and the Placer/Sacramento County line on the south.

Land use characteristics primarily consist of residential and commercial development in the Interstate 80 corridor between Douglas Boulevard and Folsom Lake. Johnson Ranch South, located on the south side of Douglas Boulevard, consists of single family, multi-family, office, and retail development. Olympus Pointe, located on the north side of Douglas Boulevard, is a major mixed-use project (residential, office and retail development).

Access to the subject neighborhood from the primary highway system serving the Sacramento metropolitan area is good. The subject properties and adjoining residential and retail commercial facilities are accessible to the Interstate 80/Douglas Boulevard interchange via Douglas Boulevard. A second point of access to Interstate 80 is available at the Eureka Road Interchange. The Highway 65 Bypass connection situated to the northwest of the subject property provides access to employment centers within Roseville and Rocklin. Major local thoroughfares within the neighborhood are Douglas Boulevard, Sunrise Boulevard, Eureka Road, East Roseville Parkway, and Rocky Ridge Drive.

Residential areas within the neighborhood should continue the growth patterns that have been established over the past few years. Factors contributing to the desirability of the area for residential use are the availability of all necessary utilities, a favorable attitude by local government toward controlled growth, good supporting public and private facilities such as schools, churches, and recreational facilities.

Growth projections for Roseville range as high as 10% to 12% annually for the next five years. The past growth rate can be attributed, in part, to the fact that Roseville has become increasingly attractive to business and manufacturing, as a place for expansion and relocation. As previously mentioned, Hewlett-Packard is a major employer in the area, employing approximately 2,800 people and a Roseville payroll of roughly \$60 million a year. Nippon Electronics Corporation (NEC),

⁶ The Dictionary of Real Estate Appraisal, 3rd ed. (Chicago: Appraisal Institute, 1993) 242.

a manufacturer of semi-conductors, ranks as the second largest high-tech employer in the area. In 1982, NEC purchased 73 acres of land in Roseville to build the company's second largest plant outside Japan.

An indication of how significant Roseville's growth has been over the past six years is the fact that the amount of office space has increased dramatically, while vacancy rates have declined. According to a 1987 annual Coldwell Banker report, as of the fourth quarter of 1986, Roseville had a total of 362,896 square feet of rentable office space, with a vacancy rate of 23.34%; as of the second quarter of 1999 the vacancy rate had decreased to 13.40% and the Roseville/Rocklin base had increased to 1,726,153 square feet; as of the fourth quarter of 2000, the vacancy rate had decreased to 11.93% and the Roseville/Rocklin base has increased to 2,816,481 square feet.

Large recent developments in the area include the completion of the Galleria Mall in August of 2000 and the Kaiser Permanente hospital expansion. The Galleria Mall is a 1.1 million square foot regional mall and home to 120 apparel and specialty stores that opened for business on August 25, 2000, enjoying a staggering 317,785 visitors/patrons during its first three days of business. The Kaiser Permanente hospital project is located near the subject, at the northeast corner of Rocky Ridge Drive and Douglas Boulevard. The total cost of the facility was reportedly \$100 million for the 156 bed, 66 physician hospital facility. This project, as well as the Roseville/Sutter Hospital, will provide the area with new residents, jobs and support facilities and is seen as a positive factor for Roseville and the subject properties.

In summary, Roseville has grown from a bedroom community of Sacramento to a city in its own right. With ample amount of room to grow and reasonable land prices, Roseville should remain an attractive location for business expansion and relocation. In addition, area transportation facilities are considered good, as are cultural activities, and residential housing and recreational facilities.

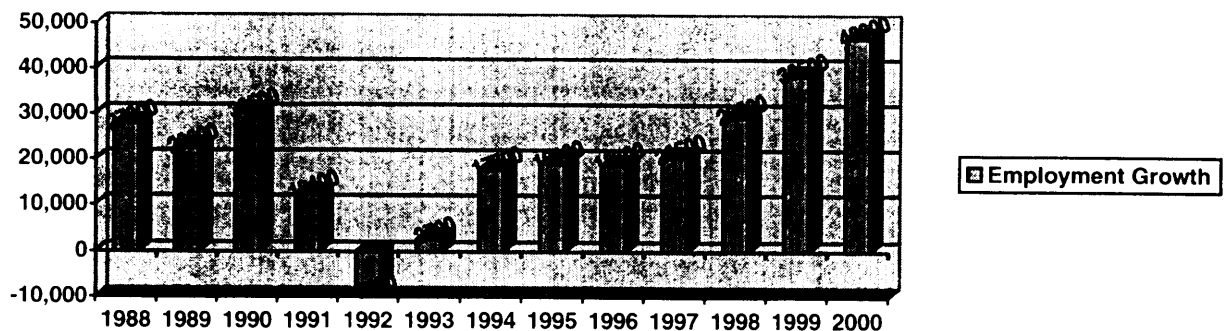
SACRAMENTO METROPOLITAN AREA HOUSING MARKET

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 Metropolitan area new home market, some general information regarding supply and demand, current trends in the overall market, plus some detailed data regarding the subject's specific area, will be discussed as follows:

A Macro Observation of the Region's Housing Market History

Employment

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 shrunk to negative numbers in 1992 with corresponding declines in the new home and resale home values. The region began a long 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 past decade and thus far in the new millennium. The following graph illustrates employment growth in the Sacramento Region from 1988 – 2000.



As illustrated in the graph, employment growth was strong during the latter 1980s (averaging 26,680 jobs from 1985-1990). The recession that began to impact California in 1990 seriously eroded employment opportunities in the Sacramento Region through 1993, with a net drop of 4,900 jobs from 1991-1993 (630,900 total jobs in 1991 to 626,000 jobs in 1993, excluding self employed persons). Employment growth rebounded to moderate levels in 1994 and has averaged 27,243 new jobs per year through 2000.

The growth of Sacramento's economic base has drawn people primarily from other areas in the state. 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 land and housing, and a less congested living environment. Employment growth in the region is expected to remain strong over the next ten years with approximately 72% of the new jobs being created in the services, retail trade, and government sectors. The table below represents the Center for the Continuing Study of the California Economy's (CCSCE) projected total employment growth by industry groups through 2010. The forecast was released in April 2000.

Jobs by Major Industry Group Sacramento Region							
Industry						Change	
	1990	1994	1999	2005	2010	1990-99	1999-10
Agriculture	8,900	8,400	8,100	8,900	9,000	-800	900
Mining	600	600	400	400	400	-200	0
Construction	35,500	29,400	43,700	50,100	51,700	8,200	8,000
Manufacturing	43,800	42,500	52,400	62,600	70,200	8,600	17,800
Transportation & Public Utilities	28,200	30,400	33,200	46,300	50,200	5,000	17,000
Trade	147,400	146,600	162,400	194,500	211,500	15,000	49,100
FIRE	39,800	44,300	52,600	623,00	68,000	12,800	15,400
Services	138,900	161,200	203,000	274,800	328,600	64,100	125,600
Government	184,300	188,700	202,500	219,300	230,900	18,200	28,400
Self employed	<u>63,700</u>	<u>67,800</u>	<u>68,800</u>	<u>82,000</u>	<u>87,800</u>	<u>5,100</u>	<u>19,000</u>
Total Jobs	<u>691,100</u>	<u>719,900</u>	<u>827,100</u>	<u>1,001,200</u>	<u>1,108,300</u>	<u>136,000</u>	<u>281,200</u>
Average annual gain						15,089	25,582

Source: NPA Data Services, 04/00 (CCSCE)

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 since 1995. The banner year was 1998, a year in which the region issued 13,936 total permits, including 10,606 single-family units and 3,330 multi-family units. This was the highest permit total for the SMA and Yolo County combined since 1990 and equated to a 42% increase over 1997. Permit activity rose another 3% in 1999 and then posted another impressive gain of 16% in 2000. The table presented on the following page reflects new permit activity for the Sacramento Region (1990 – 2000):

Sacramento-Yolo CMSA Building Permit Activity			
Year	Single-Family	Multi-Family	Total Permits
1990	13,456	2,889	16,345
1991	7,650	2,175	9,825
1992	7,854	1,169	9,023
1993	7,921	714	8,635
1994	8,630	713	9,343
1995	7,455	588	8,043
1996	8,096	878	8,974
1997	8,564	1,240	9,804
1998	10,606	3,330	13,936
1999	11,137	3,241	14,378
2000	13,300	3,355	16,655

Source: The Gregory Group (4th Quarter 2000)

E/P Ratio Trends

Another viable measure of the new housing market strength is the E/P ratio. This ratio is a statistical measure, which calculates the new employment growth (non-farm) versus the new residential permits that have been 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 a new housing unit (whether single or multi-family). Concerning the single-family side of this 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 the strength of the housing market in the Sacramento MSA and Yolo County combined for the period 1990 – 2000.

E/P Ratio for the Sacramento MSA & Yolo County (1990 – 2000)					
Year	Employ. Gains	SF/MF Permits	E/P Ratio	SF Permits	E/P Ratio
1990	30,500	16,345	1.87	13,456	2.27
1991	12,400	9,996	1.24	7,734	1.60
1992	-7,600	9,071	-.83	7,857	-.96
1993	2,700	8,846	.31	8,023	.33
1994	17,700	9,711	1.82	8,705	2.03
1995	19,100	8,043	2.37	7,455	2.56
1996	18,700	8,974	2.08	8,906	2.10
1997	20,500	9,804	2.09	8,564	2.39
1998	29,300	14,336	2.05	10,733	2.73
1999	38,500	14,475	1.96	10,964	2.59
2000	<u>40,900</u>	<u>16,655</u>	<u>2.46</u>	<u>13,300</u>	<u>3.08</u>
Total	222,700	126,256	1.76	105,697	2.11

Sources: Construction Industry Research Board and The Gregory Group – 4th Quarter 2000 Report

As illustrated by the E/P Ratio table, despite rises in building permits issued, current construction has not been keeping up with the growing demand for residential units created from employment growth in the Sacramento Metropolitan area. This trend suggests that the strong growth in the residential sector of the Sacramento real estate market observed over the past three years, characterized by steep increases in new home median base and resale home median prices, should continue in the near term.

Migration Trends

Another significant factor with direct influence on the region's housing market is the trend of migration. Since the mid 1980's the Sacramento Region has been significantly impacted by migration from Bay Area and Southern California urban centers, as well as areas outside the state of California. The following table and graph illustrate the total population of the Sacramento Metropolitan Area from 1990 through 2010 (projected) with corresponding fluctuation of migration per year, for the period noted. The impact of the recession caused the MSA to actually experience a net loss of people in the fiscal year 1994. Sacramento and Placer Counties experienced the greatest positive net migration during the period reported, totaling 59,998 and 46,205 people, respectively. The statistics tabulated below were reported by the California Department of Finance.

SACRAMENTO-YOLO CMSA POPULATION AND MIGRATION 1990 – 2010 (PROJECTED)						
Year	El Dorado County	Placer County	Sacramento County	Yolo County	Sacramento- Yolo CMSA	Net Migration
1990	130,000	178,400	1,064,300	143,200	1,515,900	-
1991	134,100	184,100	1,085,000	145,400	1,548,600	32,700
1992	137,900	189,400	1,100,200	146,700	1,574,200	25,600
1993	140,900	194,100	1,111,100	147,600	1,593,700	19,500
1994	142,900	199,600	1,115,100	149,400	1,607,000	13,300
1995	144,500	206,300	1,124,900	151,700	1,627,400	20,400
1996	144,000	212,400	1,139,500	153,700	1,649,600	22,200
1997	148,800	219,400	1,156,500	155,500	1,680,200	30,600
1998	150,800	225,900	1,177,800	158,800	1,713,300	33,100
1999	156,996	233,836	1,189,056	160,805	1,740,693	27,393
2000	163,197	243,646	1,212,527	164,010	1,783,380	42,687
2005 (projected)	190,902	287,401	1,327,435	179,927	1,985,665	202,285
2010 (projected)	215,155	325,648	1,436,286	194,977	2,172,066	186,401

Source: DOF, July 2000

Top Selling Submarkets

A closer look at the housing activity within the specific submarkets of the Sacramento metropolitan area as of the 1st quarter 2001, indicates the Roseville submarket captured 13.0% of the sales in the entire market area, which is up from 12.1% in the 1st quarter 2000. The Elk Grove/Laguna submarket continues to lead all areas, capturing 23.5% of the sales.

Residential Land

Large developers and builders have dominated the residential land market from the early part of 1997 and continued to do so up through the first quarter 2001. In contrast to the period from 1994 to 1996, developers are once again buying undeveloped, or tentatively mapped lots, and going through the entitlement process. Some key players in residential land transactions that occurred in the 1990's include Lennar Partners, which purchased 473 of the 944 acre Northpointe Master Plan in North Natomas, and Forecast Homes, which bought 265 acres in the Willow Springs planned community of Folsom. In addition, Richland Irvine, Inc. acquired the balance of the Balcor Highland Reserve property in Roseville, which includes both commercial and multi-family land. Lennar Partners continued to acquire residential land in 1998 and at one point controlled enough land in North Natomas produce 8,500 lots. The level of activity in North Natomas clearly illustrates Lennar's effort to expand its role as the main purveyor of new homes in the Sacramento region.

Another example of Lennar's growing presence in the region is its position as one of the primary lot buyers in the Empire Ranch development in Folsom. In addition to the Empire Ranch development the region has other current examples of the strong demand for residential lots. Located in the southern portion of Sacramento County, the Stonelake development sold for all of its 1,498 residential lots in the span of approximately 6 months. The balance of this mixed-use community is comprised of multi-family land, neighborhood commercial land, traffic commercial land and business parkland.

In the northern area of the region, the Stoneridge development (of which the subject parcels are a part of) is another mixed-use project with a blend of single family housing, apartments, commercial, schools, park and open space. The Stoneridge project includes land in the cities of Roseville and Rocklin, as well as portions of Placer County.

Yet another example of the current demand for residential land is evidenced by the developers of the Bridgeway Island project in the Southport area of West Sacramento. All of the project's 1,588 residential lots have either transferred to or are under contract by some of the region's most active merchant builders.

Currently, the four most active homebuilders locally are Lennar Corporation (US Home), Beazer Homes, Del Webb, and JMC Homes. The only Sacramento based builder in the group, Elliot Homes, is the 7th largest homebuilder with 3.7% of the market in the 1st quarter 2001.

As demonstrated by these transactions, the suburban areas throughout the region (including Stanford Ranch, Roseville, North Natomas, Folsom, and Elk Grove) are expected to drive sales activity as high-tech companies and other business continue to relocate, or expand in these emerging communities.

New Home Sales

Based on statistics compiled by The Gregory Group, there were 12,216 new home sales within the Sacramento market in 2000. The continued strong demand for new homes in the region is evidenced by the 3,585 new home sales in the 1st quarter 2001, representing a 19.3% increase over the 1st quarter of 2000 total of 3,006 (same quarter analysis). The increase in sales activity may be also viewed as a 23.49% increase over the 4th quarter 2000 total of 2,903 new home sales.

Additionally, the median new home price for the Sacramento MSA increased to \$299,821, which indicates a 22.61% increase over the 1st quarter of 2000, and also yields a 6.46% increase over the 4th quarter median price of \$281,623.

Total sales volume statistics, as well as median new home prices over the past 6 quarters are tabulated below:

NEW HOME SALES AND MEDIAN PRICE			
Quarter	Year	Total Sales	Median Price
4 th	1999	1,804	\$240,604
1 st	2000	3,006	\$244,526
2 nd	2000	3,045	\$258,064
3 rd	2000	3,262	\$266,939
4 th	2000	2,903	\$281,523
1 st	2001	3,585	\$299,821

Source: The Gregory Group

New home (detached) pricing and sales activity as of the 1st quarter 2001 within the individual submarkets are detailed in the following table.

Submarket	Median Price	% of New Home Sales
Elk Grove/Laguna	\$274,990	23.5%
Roseville	\$329,990	13.0%
Folsom	\$319,950	5.6%
Rocklin	\$290,970	9.7%
Davis	\$412,215	0.8%
Lincoln	\$223,550	12.4%
El Dorado Hills	\$439,990	4.5%
Natomas	\$252,990	18.8%

Resale Home Market

Although there are a number of economic factors, which have been positively impacting the new home market in the Sacramento region, the single most important variable is the reversal in resale home values. The median resale value of homes had been declining for five years in the Sacramento region, until 1997. The rebound that began in 1997 has continued throughout 1998, 1999, 2000 and thus far into 2001.

According to a March 2001 report, the average resale home price in Placer County increased in the past 12 months from \$205,500 to \$235,500, yielding an increase of 14.6%. Sacramento County also posted a strong sales price increase over the past 12 months from \$131,000 to \$157,500, indicating an annual increase (March 2000 to March 2001) of 20.2%.

The surrounding counties also experienced strong price increases over the past 12 months, as prices in El Dorado County soared 28.1% (from \$160,000 to \$205,000) and resale home prices in Yolo County jumped from \$168,500 in March 2000 to \$185,000 in March 2001, indicating an increase of 9.8%.

Economic Outlook

Over the past few years, the residential market throughout the state of California has reflected strong growth, fueled by a good job market and the economic growth of the state in general. However, there are indicators on a national level that suggest growth in the state may slow in the near term.

California's economy is heavily reliant on the technology industry, including computer related businesses, biotech, communications, etc. There have reports over the past few months from companies within each of these hi-tech areas that their rate of growth is slowing. However, the existing employment situation for these industries appears to be somewhat stable, based on revised and more moderate growth projections. Salaries are expected to soften from the extremes noted in the recent past, as more employees and fewer jobs are available within these fields. Although the short-range economic future is stable but somewhat guarded, the long-range outlook is favorable, as these industries are considered to be future growth businesses worldwide.

A second factor to be considered is the potential impact of the energy crisis currently being experienced by the state of California. As a result of deregulation of the utility industry, many of the power companies in the state were forced to sell off their power plants. With no new construction of power facilities, the state is experiencing a shortage of power at peak demand time periods. Energy costs have also increased dramatically, resulting in increased electric costs to both homeowners and business owners. Although there is currently no empirical evidence of the impact on the new home industry, the situation can not be ignored. Again, the short-term outlook is guarded at this point, but in the long term, additional energy sources will have to be created to provide service to the State as a whole, creating a more favorable long-term housing market.

Lastly, it should be noted that, in recent months, many analysts have issued warnings about a slowing national economy and its potential affects on the residential housing market. Federal economic leaders have cautioned that the slowing national economy may provide the support to reduce the federal funds rate. However, the impact this will have on longer-term interest rates (i.e. 30-year mortgages) can not be determined.

In summary, there are a number of challenges facing California's economy in the near future, which could have an impact on the sale prices and absorption rates of new and resale homes. However, the home market in both Sacramento and Placer Counties have not yet reacted in any negative way, as job growth remains strong in the region. The short-term outlook for the residential sector in the region can be described as cautiously optimistic. Furthermore, the long-term outlook remains positive, as California has a history of attracting business and creating job growth.

Summary

The demand for housing, as evidenced by sales activity, improved substantially in 1996, 1997, 1998, 1999 and 2000, as compared to 1995 when sales were the lowest since 1991. Local economists attribute the increased demand for housing to strong job and population growth. The State Employment Development Department (EDD) estimates that the number of new jobs in the region (Sacramento, El Dorado, Placer and Yolo Counties) grew by 4.7 percent over the past year (April 2000 to April 2001), which is higher than the Statewide growth rate of 2.8%. Based on current forecasts of local job growth, the demand for housing should continue to improve as long as interest rates and the local economy remain relatively stable.

The inventory of new and resale homes declined over the last year. The increased demand and the declining supply of housing resulted in higher prices in most submarkets in the region. Based on improved sales activity and forecasts for continued job growth, it is anticipated that the demand for housing will continue to improve as long as interest rates remain relatively stable and many of the regions new employers prove economically viable. However, as competition between the large production homebuilders becomes more intense, and the potential of rising permits and fee costs looms in the future, lot prices will most likely reflect only moderate increases throughout 2001.

Industry analysts agree that Sacramento offers a number of factors which are key to sustaining job growth, including a diversified economy, affordable housing, an educated work force, and a good supply of moderately priced developable land.

PROPERTY IDENTIFICATION AND LEGAL DATA

Location

The properties being appraised are located in the Stoneridge master planned community, which is situated within the city limits of Roseville. The boundaries of the Stoneridge West development are generally described as west of Sierra College Boulevard, north of Olympus Drive, east of Roseville Parkway, and south of Secret Ravine Parkway.

Assessor's Parcel Numbers

A complete list of the subject's APN(s) is presented in the Rate and Method Apportionment document related to this to be formed district. For the reader's reference a copy of this document is included in the Addenda to this report.

Ownership

A summary of the ownership of the subject properties is as follows:

STONERIDGE WEST RESIDENTIAL SUMMARY			
PARCEL	# UNITS	TYPICAL LOT SIZE	Ownership
Village No. 1	170	7,150	Lennar
Village No. 2	104	6,600	Lennar
Village No. 3	72	10,800	Meritage
Village No. 4	99	14,867	AKT
Village No. 5	94	10,000	Lennar
Village No. 6	126	10,000	U.S. Homes (Lennar)
Lot 28*	62	7,500	AKT
Total Units	727		

**Estimates based on proposed map*

Assessment and Tax Information

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 ad valorem 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 re-appraised 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 remaining infrastructure and property improvements are completed and in consideration of the definition of market value employed in this appraisal, which assumes a sale of the appraised property.

With respect to special taxes, the appraised properties are located within Stoneridge West Community Facilities District No. 1, which is pending and limited to an amount not to exceed \$11,810,000.

We have relied upon the Debt Service Schedule, prepared by Economic Planning Systems (EPS), for calculating the annual special tax levy on for the appraised properties. The annual special tax applicable to the subject will be discussed in greater detail later in this report.

Conditions of Title

A preliminary title report has not been provided for use in this analysis. It is assumed that title to each of the subject parcels is marketable. The appraisers accept no responsibility for matters pertaining to title.

Land Use/Zoning

The subject properties are all zoned for low-density residential development under the Stoneridge Specific Plan and the Development Agreement with the city of Roseville.

The entire Stoneridge Community is master planned with a mixture of complimenting land uses including single family, multi-family, commercial, business-professional, public, quasi-public, schools, parks, and open space uses. This appraisal report encompasses the properties within the proposed Stoneridge West Community Facilities District No. 1. The land use allocation within Stoneridge West Community Facilities District No. 1 is consistent with the following development jurisdictions:

- Stoneridge Specific Plan Area, dated March 18, 1998 and as Amended April 7, 1999.
- Development Agreement, May 1, 1998, first amendment dated July 9, 1999, second amendment dated March 7, 2001, and third amendment currently being finalized.
- City of Roseville zoning and general plan designations

Complete copies of the Stoneridge Specific Plan and Design Guidelines and Amendment, as well as the Stoneridge West Development Agreement and Amendments, are located in the Addenda section of this appraisal report.

Flood Zone

The subject parcels are situated within Flood Zone C. This flood zone is described as areas of minimal flooding. This information was determined in accordance with our interpretation of Flood Insurance Rate Map - Community-Panel Number 060263-0006 B, revised January 6, 1982, published by the Federal Emergency Management Agency.

Earthquake Zone

The subject properties are not located within a seismic special studies zone, designated by the California State Division of Mines and Geology, in accordance with the Alquist-Priolo Special Study Zone Act of 1972.

Easements

Based on our physical inspection of the subject properties, public roadway and utility easements exist. These easements are typical for properties in the city of Roseville and throughout California, and are judged to not adversely affect the market value of the subject properties.

SITE DESCRIPTION

Stoneridge West (Community Facilities District No.1)

- Size:** In total, the subject properties cover approximately 224.3 gross acres.
- Subdivision:** As previously discussed, the Stoneridge West project will comprise of 727 single-family residential lots, which will be developed within seven villages.
- In addition, the development will include public and quasi-public uses, parks, and open space. For the reader's reference a map depicting the subject's proposed development is included in the Addenda to this report.
- Shape:** The combined area of the subject parcels (both currently and after dividing the subject parcels upon completion of site improvements) is irregular in shape.
- However, the subject's irregular shape does not adversely affect its overall functional utility. Furthermore, the residential lots that have been created also represent completely functional sites in terms of shape.
- Topography:** The topography of the subject properties is undulating to rolling in nature, and is suitable for residential development.
- Drainage:** Based on our physical inspection of the subject site, the subject properties appear to have adequate drainage.
- Frontage:** The various subdivisions throughout Stoneridge West have adequate frontage along anyone of a number of thoroughfares including Secret Ravine Parkway, Alexandra Drive and other numerous interior streets.
- Offsite Improvements:** As of the date of value, the subject is partially improved with the majority of the work related to the main thoroughfares complete at this time (Secret Ravine Parkway, East Roseville Parkway and Alexandra Drive). The most significant remaining work to be completed, in terms of primary infrastructure, relates to the bridge over one of the project's ravines.

Access:

As previously indicated, various thoroughfares provide access to the subject properties. Each of the thoroughfares connects with other corridors that travel through the city of Roseville, and provide indirect access to Interstate 80.

Adjacent Land Uses:

North: Future residential development and open space.

East: Stoneridge East, which represents a portion of the Stoneridge development.

South: Open space and a completed residential subdivision.

West: Various commercial uses including the Sutter Roseville Medical Center, office and retail buildings.

Utilities:

All public utilities and services are being extended to the subject properties. Service is furnished by the following providers:

Sewer: City of Roseville

Water: City of Roseville

Telephone: Roseville Telephone

Electricity: City of Roseville

Natural Gas: Pacific Gas and Electric

Soil:

The appraiser has not been provided a soil report made to determine the load bearing capacity of the subject properties. However, based on the surrounding and existing improvements, no adverse subsoil conditions are apparent. The soil appears to be similar to that contained on other local parcels, which have been improved, with no adverse effects, to the best of our knowledge.

Agricultural Preserve:

The subject is not affected by the Williamson Act or any other city, state, or federal agricultural/wildlife preserve restrictions.

Wetlands:

According to the City's Planning Department, there are no jurisdictional wetlands that will be affected by the subject's project.

Hazardous Waste:

At the time of inspection, the appraiser did not observe the existence of hazardous material, which may or may not be present on the properties. The appraiser has no knowledge of the existence of such materials on the properties. However, the appraiser is not qualified to detect such substances. The presence of potentially hazardous materials could affect the value of the properties. The value estimate is predicated on the assumption that there is no such material on or in the properties 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.

***Easements Encroachments
or other Adverse Conditions:***

An inspection of the subject properties revealed no apparent adverse easements, which currently impact the subject properties. Furthermore, no encroachments or other adverse conditions appear to exist, and therefore, none are noted.

***Functional Adequacy
And Utility:***

The infrastructure of the Stoneridge project offers several access points and entrances. An interior street system will serve all of the various components of the subject development. Based upon this plan, overall functional utility is considered to be good.

Conclusion:

The configuration and size of the subject parcels, as a portion of the Stoneridge Master Planned area, are considered adequate for single-family residential development. Furthermore, the subject properties are entering the market when the demand for residential units is very high, and the competitive supply of residential lots within the Roseville submarket is limited. We expect that the subject properties will continue to enjoy the current level of market acceptance, which is consistent with competitive projects within other emerging submarkets.

FACILITIES TO BE FUNDED BY THE DISTRICT

As previously indicated, this report will address the value of the subject properties, assuming the completion of the improvements embodied in the Community Facilities District No. 1. The improvements to be funded by the CFD are detailed in the Stoneridge West CFD No. 1 Draft Hearing Report, dated July 18, 2001, a copy of which is included in the Addenda to this report. In short, the primary facilities that are authorized to be constructed with Mello-Roos CFD Special Tax proceeds include: (1) Roadway Improvements, (2) Wastewater System Improvements, (3) Water System Improvements and (4) parks. Bond proceeds from the CFD will be used to fund local and regional infrastructure improvements, the costs associated with the design and implementation of the construction of improvements, and the costs associated with the formation of the CFD.

As alluded to above, the cited list of facilities are proposed to include incidental expenses as authorized by the Mello-Roos Community Facilities Act of 1982, including, but not limited to, the cost of planning, engineering, and designing the facilities (including the cost of environmental evaluation thereof); cost associated with the creation of the District; issuance of bonds thereof; determination of the amount of taxes; collection of taxes; payment of taxes; 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.

A portion of the total construction fund associated with the bond issuance will be used to fund regional improvements for which impact fees are due. Based on information provided for this analysis, 5 of the subject's 7 villages will have a lower permit and fee structure due to the financing referenced above. Thus, instead of the typical permit and fee schedule totaling approximately \$30,000 for a new home offering approximately 2,500 square feet, the subject's total for villages 1, 2, 3, 5 and 6 will be approximately \$16,500 per unit. While reportedly \$16,072 per unit (\$9,097,000 in total) in building permit fees are eligible for financing by bond proceeds, only \$13,500 per unit is anticipated. The lower than eligible projection is due to the projected bond sizing, relative to the list of public improvements that are eligible for financing under this proposed bond issuance. The subject's lower permit and fee structure, relative to other new home projects, will be analyzed in the sales comparison approach presented later in this analysis.

EXISTING / PROPOSED IMPROVEMENT DESCRIPTION

The subject properties are being improved with average to good quality single-family homes. As of the date of value, four of the subject villages are actively marketing and constructing homes. Following is a summary of the various floor plans and pricing structure for those subdivisions currently marketing new homes in the Stoneridge West development (by village).

No.	Builder	Floor Plan	Bed	Bath	Sq. Ft.	Pricing	\$/SF
1	Wincrest Homes (Owned by	Sonoma	4	2.0	2,346	\$349,950	\$149.17
		Napa	4	3.5	2,935	\$384,950	\$131.16
		Carmel	5	4.0	3,466	\$410,950	\$118.57
		Monterey	5	4.0	3,622	\$427,950	\$118.15
	Renaissance Homes (Owned	Sorrento	4	2.5	2,438	\$362,950	\$148.87
		Marbella	4	3.0	2,956	\$389,950	\$131.92
		Palmera	5	3.5	3,310	\$404,950	\$122.34
		Monaco	5	4.5	3,692	\$434,950	\$117.81
2	Wincrest Homes	Montreal	4	2.0	2,191	\$319,950	\$146.03
		Chateau	4	3.0	2,550	\$342,950	\$134.49
		Chateau II	4	3.0	2,751	\$345,950	\$125.75
		Montecito	5	3.0	2,658	\$350,950	\$132.04
		Montecito II	5	3.0	2,892	\$357,950	\$123.77
		Veranda	5	4.5	3,179	\$380,950	\$119.83
5	Renaissance Homes (Owned	Residence One	4	3.5	3,085	\$519,950	\$168.54
		Residence Two	4	3.5	3,480	\$559,950	\$160.91
		Residence Three	4	3.5	3,880	\$589,950	\$152.05
		Residence Four	5	4.0	4,290	\$624,950	\$145.68
6	U.S. Homes	Taylor	3	2.5	2,700	\$418,000	\$154.81
		Roosevelt	3	2.5	3,052	\$458,000	\$150.07
		Kennedy II	4	3.0	3,527	\$488,000	\$138.36
		Jackson	4	3.0	4,097	\$505,900	\$123.48
		Eisenhower	4	3.0	4,265	\$533,900	\$125.18

* Note - all above are "Base pricing", excluding lot premiums and upgrades

SALES HISTORY

The master developer of the subject properties acquired the subject properties, and additional land, more than three years ago. Since that time the master developer has fully entitled the subject properties. It should be noted that the lot sales occurring within the subject project have been presented in the sales comparison section of this report. Furthermore, in the final analysis, the latest subject sales are considered to be the best indication of market values for the subject properties, due to the fact that they represent recent transactions between unrelated parties both acting prudently and in their own best interest.

As previously indicated, five new home subdivisions are now marketing product in the subject project. The reader is referred to the previous table, which summarizes the current asking prices for the subdivisions marketing new homes.

SUBJECT PHOTOGRAPHS

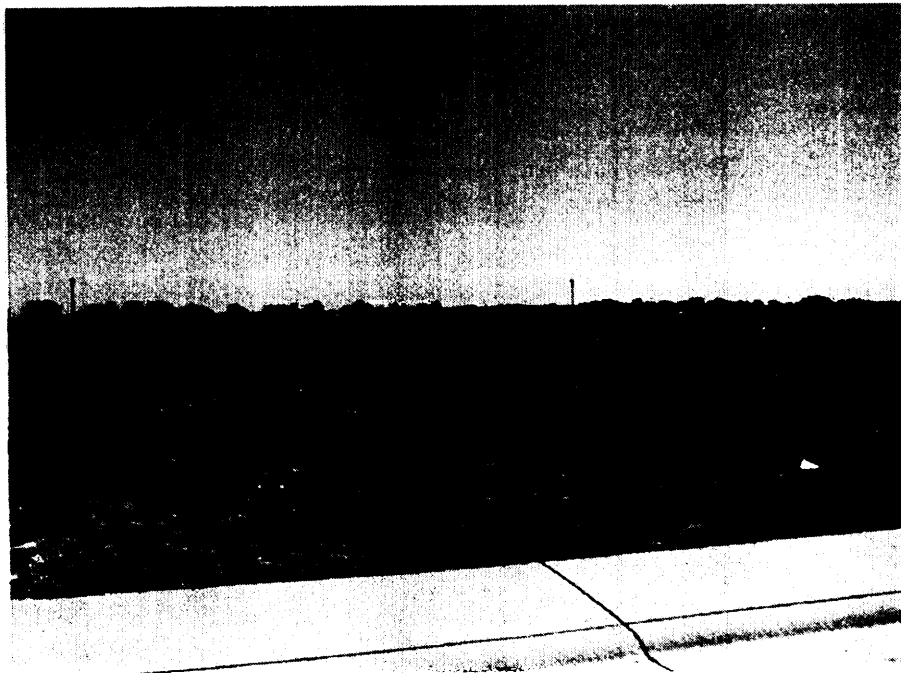
Pictures of the subject properties are presented as the following exhibit pages.

EXHIBIT

Subject Property Photographs



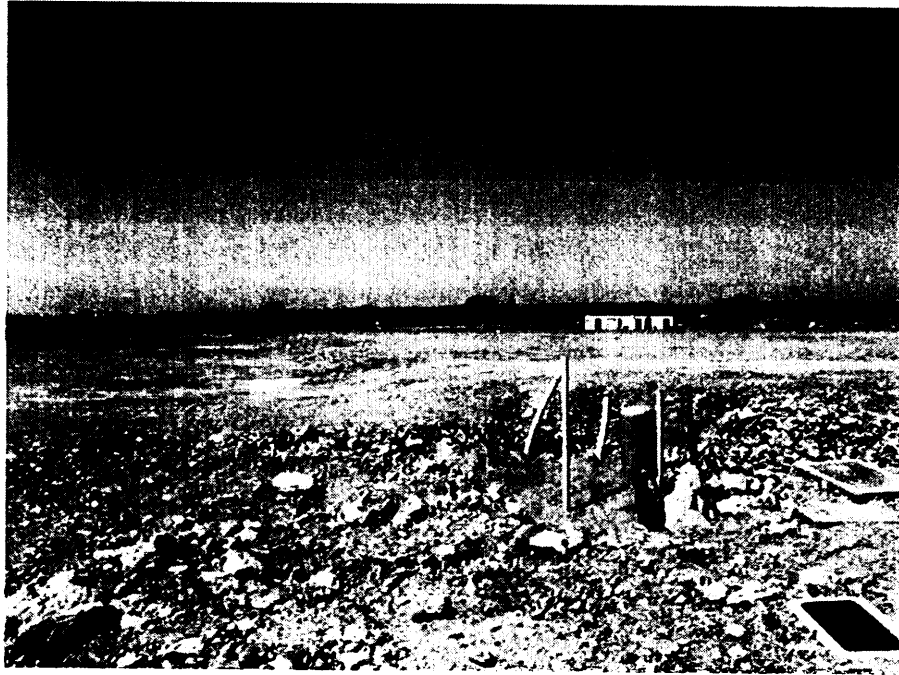
Northwesterly view across Village #2



Subject Property

EXHIBIT

Subject Property Photographs



Subject Property



Northeasterly view along Secret Ravine Parkway

EXHIBIT

Subject Property Photographs



Looking southeasterly along Roseville Parkway



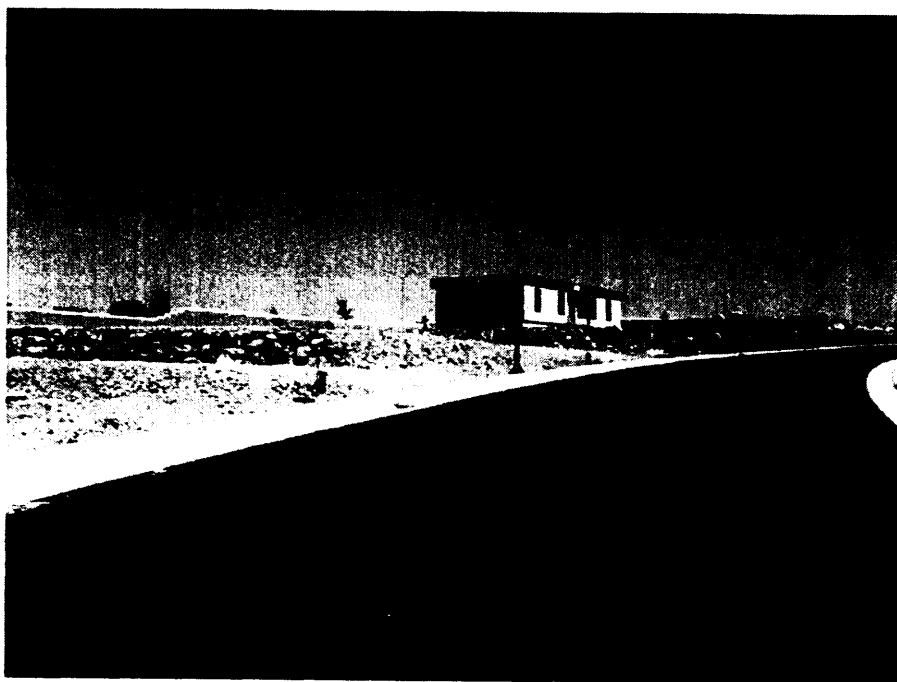
Bridge construction over Miner's Ravine

EXHIBIT

Subject Property Photographs



Southwesterly view across Miner's Ravine



Easterly view along an interior street within Village #6

EXHIBIT

Subject Property Photographs



Easterly view across the subject properties



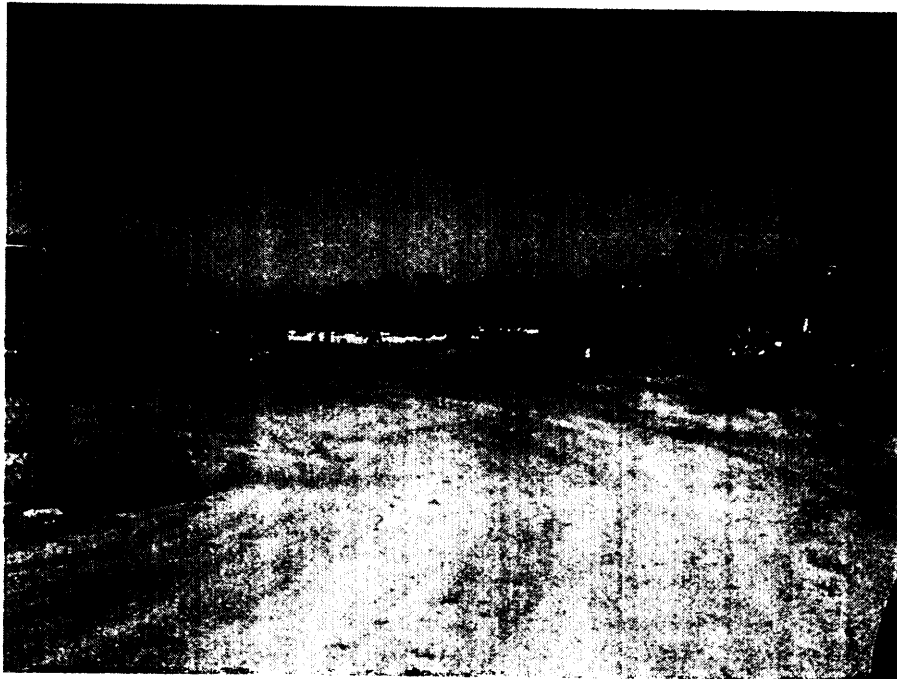
Easterly view along an interior street within Village #4

EXHIBIT

Subject Property Photographs



View along Alexandra Drive



Looking north along the future extension of Roseville Parkway

HIGHEST AND BEST USE ANALYSIS

Defined

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 profitability.⁹

In general, this definition applies to the highest and best use of a property as though vacant and with improvements in place.

The term "highest and best use - as though vacant," is defined as follows:

Among all reasonable, alternative uses, the use that yields the highest present land value, after payments are made for labor, capital, and coordination. The use of a property based on the assumption that the parcel of land is vacant or can be made vacant by demolishing any improvements.⁷

The term "highest and best use - as improved," is defined as follows:

The use that should be made of a property as it exists. An existing property should be renovated or retained as is so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one.⁸

As indicated in the above definitions, two analyses are typically required for highest and best use. The first analysis is highest and best use of the land as though vacant. The second stage of the analysis is the highest and best use as improved.

⁹ The Dictionary of Real Estate Appraisal, 3rd ed. (Chicago: Appraisal Institute, 1993) 171.

¹⁰ The Dictionary of Real Estate Appraisal, 171.

¹¹ The Dictionary of Real Estate Appraisal, 171.

Highest and Best Use - As Though Vacant

The purpose of identifying the highest and best use of land as though vacant is for land valuation purposes. Land is always valued at its highest and best use as if vacant. The highest and best use as if vacant conclusion is also necessary to identify comparable land sales. In this scenario all potential uses, not just the proposed use, are considered.

In accordance with the definition of highest and best use, it is appropriate to analyze the subject site, as though vacant, as it relates to the legally permissible uses, physically possible uses, as well as a use or uses that are deemed to be financially feasible and maximally productive.

Legal Permissibility

The subject properties are located in the Stoneridge Specific Plan area, which is situated within the City of Roseville. The entire Stoneridge master planned development totals approximately 1,089 acres of land, which is planned for significant residential and commercial growth over the next few years.

Five of the seven subject villages have received final approval for low density single-family residential development. Of those without a final approved subdivision map, village 4 has tentative approval for low-density single-family residential development and parcel 28 is planned for a similar development. Because the master planned development has been incorporated into both the approved Specific Plan and the approved Development Agreement with the City of Roseville, it is anticipated that the two remaining villages will receive final map classification upon filing with the City of Roseville.

Physical Possibility

The physical characteristics of the properties have been previously described in this report. In summary, the physical characteristics of the site, terrain and soils are suitable for the proposed uses.

We know of no reason why the subject properties would not support any legally permissible uses. Evidence of commercial and residential construction in the immediate area provides additional support for the possibility of development. There are no significant easements and/or other restrictions, which would prohibit the development of these properties.

Financial Feasibility

A determination of financial feasibility is dependent primarily upon demand. As noted throughout this report, the subject area has seen extensive residential development over the past few years. The city of Roseville and surrounding areas within Placer County have experienced great demand

for residential housing, as evidenced by the increasing sales prices and rapid sell-out of residential projects.

In considering the feasibility of single family home development on the subject, reference is made to the Housing Market Overview Section. The city of Roseville and surrounding areas of Placer County are highly desirable locations for all sectors of homebuyers, including entry level, move-up, and high end custom home developments. However, due to increasing sales prices, there have been very few subdivisions in the Roseville market area that have been geared toward the entry level market. Thus, the majority of new developments are targeting the move-up and custom homebuyers.

Industry analysts agree that Sacramento and Placer Counties both offer a number of factors which are key to sustaining job growth. These include a diversified economy, affordable housing, an educated work force and a good supply of moderately priced developable land.

Maximum Productivity Use

Our determination of the most maximally productive use is simplified by the fact that no legally permissible or financially feasible uses other than a residential subdivision were identified. Thus, by process of elimination, a well balanced residential subdivision is considered to be the maximally productive use since it is the only reasonable use of the subject properties based on its legal, location, physical and market characteristics.

Conclusion of the Highest and Best Use - As Though Vacant

The legal, physical, and market conditions have been analyzed to evaluate the highest and best use of the subject properties. The analysis is presented to evaluate the type of use(s), which will generate the greatest level of future benefits possible to the properties. The only use that meets the four criteria for determining the highest and best use is a well-balanced residential subdivision.

After analyzing the four components of highest and best use in sequential order, it is our conclusion that the highest and best use of the subject site as vacant is for development of single family homes marketed to the move-up home buyer market.

Highest and Best Use - As Proposed

The subject properties are proposed for development with various single-family residential home subdivisions. Based on the home pricing within surrounding neighborhoods, we have concluded that the highest and best use -as vacant- is similar to the proposed development. As such, it is anticipated that the new home construction to be built on the subject parcels will be similar to the successful residential developments in the area. Prices should generally be geared toward the move-up home market (\$300,000 to \$600,000).

APPRAISAL METHODOLOGY

The following valuation approaches were considered for use in analyzing the subject property.

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; deducting accrued depreciation from the reproduction or replacement cost; and adding the estimated land value plus an entrepreneurial profit. 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.⁹

Due to the abundant market data available for use in the Sales Comparison Approach, we have not utilized the cost approach to value in this valuation analysis.

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

¹²The Dictionary of Real Estate Appraisal, 3rd ed. (Chicago: Appraisal Institute, 1993) 81.

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, 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 comparable sales are available.¹⁰

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.

Due to the fact that the subject properties are not income producing in nature, the income approach to value will not be utilized in this report.

Subdivision Development Method

A method of estimating land values is the subdivision development method. This method is most applicable when subdivision is determined to be the highest and best use of the parcel of land being appraised. In the subdivision development method, all direct and indirect costs and entrepreneurial profit are deducted from an estimate of the anticipated gross sales price of the finished lots; the resultant net sales proceeds are then discounted to present value at a market-derived rate over the development and absorption period to indicated the value of the raw land.¹¹

In the analysis that follows, we will employ the subdivision development method in our valuation of the bulk-sale valuation of the subject parcels.

¹³The Dictionary of Real Estate Appraisal, 3rd ed. (Chicago: Appraisal Institute, 1993) 318.

¹¹The Dictionary of Real Estate Appraisal, 354.

INTRODUCTION

As indicated previously, this report is concerned with the subject's market value upon completion of the primary infrastructure and facilities to be funded by the Stoneridge West Community Facilities District No. 1.

In our analysis, we will first estimate the value of the subject's finished residential lots by employing the sales comparison approach to value. The unimproved lot value of the subject's parcel 28 lots (proposed), will be derived at the end of the sales comparison approach to value for the fully improved lots. The partially complete lot values for the subject's Village 4 lots will be derived in the application of the subdivision development approach presented later in this analysis. In essence the Village 4 lots will be valued as if complete (improved lots) and then the cost to complete the lots will deducted from the improved lot value estimate (in the subdivision development approach). The contributory value of the partially completed homes (nine model homes) will also be valued in the subdivision development approach to value for those subject components owned by Lennar Communities (Villages 1, 2, 5 and 6). Similar to the partially completed lots in Village 4, the partially completed homes will be valued as if complete and then the cost to complete the units will be deducted in the discounted cash flow section of the subdivision development approach to value.

The market value each of the subject's components, by ownership, will be combined to derive the subject properties' cumulative value.

SINGLE-FAMILY RESIDENTIAL LOT VALUATION

To estimate the market value of the finished single-family residential lots, bulk sales of similar finished single-family residential lots in comparable areas will be analyzed. The sales cover the period from June 1999 to the present (represented by current escrows) and range in quantity from 34 to 368 lots in a single transaction.

Considering the various proposed lot sizes represented by the subject, we have utilized the entire data set to value each category of lots included in the subject development. In the valuation of each of the subject's existing and proposed subdivisions, careful consideration will be placed on the increment of value associated with differences in lot sizes, as indicated by the data set. It should be noted that the data set is presented based on a "loaded" lot indicator. Therefore, the total consideration for each comparable consists of the improved lot costs, bond debt assumed and the permits and fees associated with the construction of a new home. Utilizing the "loaded" lot unit of comparison will facilitate our valuation of the subject's lots, based on differing permit and fee schedules.

The sales relied upon in this analysis are summarized within the chart on the following page.

[illegible]

COMPARABLE SALES SUMMARY

Bulk Lot Sales - Finished Single Family Residential Lots

Stoneridge West: CFD No. 1
Roseville, California

No.	Location	Sale Date		"Loaded" Lot Indicator	No. of Lots	Price per Lot	Typical Lot Size
1	Stoneridge - Village 1	Jun-99	Closed	\$17,534,480	170	\$ 103,144	7,150 sf
	Stoneridge - Village 2		Escrow	\$10,606,232	104	\$ 101,983	6,600 sf
	Stoneridge - Village 5			<u>\$12,113,028</u>	<u>94</u>	<u>\$ 128,862</u>	<u>10,000 sf</u>
	Weighted Average of All Villages	Jul-98	Contract	\$40,253,740	368	\$ 109,385	7,723 sf
	Roseville, Placer County, CA		Negotiated				
2a	Stoneridge - Village 3	Nov-99	Closed	\$9,790,056	72	\$ 135,973	10,800 sf
	Roseville, Placer County, CA		Escrow				
		Oct-99	Contract				
			Negotiated				
2b	Stoneridge - Village 3	Feb-01	Closed	\$10,366,056	72	\$ 143,973	10,800 sf
	Roseville, Placer County, CA		Escrow				
3	Stoneridge - Village 4	Jun-01	Contract	\$16,333,020	99	\$ 164,980	14,867 sf
	Roseville, Placer County, CA		Negotiated				
4	Stoneridge - Village 6	Jul-99	Closed	\$16,075,206	126	\$ 127,581	10,000 sf
	Roseville, Placer County, CA		Escrow				
		Dec-98	Contract				
			Negotiated				
5	Diamond Creek - Villages 2 & 3	Jan-00	Closed	\$11,863,488	97	\$ 122,304	7,700 sf
	Roseville, Placer County, CA		Escrow				
6	Empire Ranch - Village 40A & 40B	Dec-00	Contract	\$10,824,224	76	\$ 142,424	9,120 sf
	Folsom, Sacramento County, CA		Negotiated				

LAND SALE NO. 1

Property Identification

Property Type	Residential subdivision
Property Name	Stoneridge, Villages 1, 2, and 5
Address	East Roseville Parkway, Roseville
APN	046-060-006, 019, & 020 (portions) 046-070-014 & 015 (portions)

Sale Data

Grantor	AKT Development Corporation
Grantee	Lennar Renaissance
Sale Date	June 3, 1999
Property Rights	Fee Simple
Marketing Time	N/A
Conditions of Sale	Market
Financing	All cash to the seller
Verification	Chuck Todd, buyer's representative
Sale Price	\$14,534,956
Site Development Costs	\$13,094,000
Bonds	\$6,267,952
Permits and Fees	<u>\$6,356,832</u>
Total Consideration	\$40,253,740
Bonds/Assessments	Village 1 - \$1,300 per lot/annual Village 2 - \$1,100 per lot/annual Village 5 - \$1,500 per lot/annual

Land Data

Zoning	R1, Residential
Topography	Rolling
Utilities	Extensions required at time of sale

Land Size Information

Gross Land Size	Village #1 - 38.16 acres Village #2 - 22.94 acres Village #5 - 29.34 acres
Typical Lot Size	Village #1 - 7,150 square feet Village #2 - 6,600 square feet Village #5 - 10,000 square feet
Number of Lots	Village #1 - 170 lots Village #2 - 87 lots Village #5 - 94 lots

Indicators

Sale Price/Paper Lot	Village #1 \$35,894
Development Costs/Lot	\$33,000
Bonds	\$16,976
Permits and Fees	<u>\$17,274</u>
Sales Price/Finished Lot	\$103,144

	Village #2
Sale Price/Paper Lot	\$35,894
Development Costs/Lot	\$34,000
Bonds	\$14,365
Permits and Fees	<u>\$17,274</u>
Sales Price/Finished Lot	\$101,983

	Village #5
Sale Price/Paper Lot	\$50,000
Development Costs/Lot	\$42,000
Bonds	\$19,588
Permits and Fees	<u>\$17,274</u>
Sales Price/Finished Lot	\$128,862

Remarks

This comparable sale represents three of the subject villages. The property sold in June 1999 for \$50,000 (Village #5), \$35,894 (Village #1), and \$35,894 (Village #2) per "paper lot." This sale also included option provisions whereby the buyer could exercise the right to purchase three other villages within the project. The buyer, Lennar Renaissance, bought the property to develop move-up, upper end homes. Reportedly, the original purchase price was negotiated almost a year prior to closing. The seller, AKT Development Corporation was responsible for mitigating existing wetlands. During the one-year escrow, the sales price was never renegotiated. As proposed, the Stoneridge West CFD will finance a portion of the improvement costs for which impact fees are due. As a result, the permit and fee structure for these lots will be lower than other residential lots in the Stoneridge project which do not have regional improvements for which impact fees are due financed by bond proceeds.

LAND SALE NO. 2a

Property Identification

Property Type	Residential subdivision
Property Name	Stoneridge - Village 3
Address	Southeast quadrant of East Roseville Parkway and Secret Ravine Parkway, Roseville
APN	456-010-007

Sale Data

Grantor	AKT Development
Grantee	Nick Alexander
Sale Date	November 4, 1999 (COE); Oct. 1999 (Contract)
Property Rights	Fee Simple
Marketing Time	N/A
Conditions of Sale	Market
Financing	All cash to the seller
Verification	Buyer (Nick Alexander), #916-773-6108
Sale Price	\$4,320,000 some paper and finished
Site Development Costs	\$2,880,000 (est.)
Bonds	\$1,438,560
Permits and Fees	<u>\$1,151,496</u>
Total Consideration	\$9,790,056
Bonds/Assessments	\$1,530 per lot/annual

Land Data

Zoning	R1, Residential
Topography	Rolling to moderately sloping
Utilities	All to site

Land Size Information

Gross Land Size	26+/- acres
Typical Lot Size	10,800 square feet
Number of Lots	72

Indicators

Sale Price/Finished & Paper Lot	\$60,000
Development Costs/Lot	\$40,000
Bonds	\$19,980
Permits and Fees	<u>\$15,993</u>
Sales Price/Finished Lot	\$135,973

Remarks

This comparable represents the sale of Village #3, which is one of the subject parcels. Some of the lots were delivered to the buyer as paper lots. These lots were reportedly impacted by topography issues, which would require beyond typical engineering and site development to create building pads. Reportedly, this sale included a provision that stated the seller would participate in individual lot profits. As reported, the agreement specified that the seller would receive all net proceeds (sale price (exclusive of bonds and permits and fees) less commissions and closing costs) between \$115,000 and \$125,000, as well as 50% of the net proceeds above \$125,000. In early 2001 the buyer in this transaction re-sold the lots to Meritage Homes.

The re-sale of this property will be presented later in this analysis. Similar to the prior comparable, these lots will finance a portion of the improvement costs for which impact fees are due. As a result, the permit and fee structure for these lots will be lower than other residential lots in the Stoneridge project which do not have regional improvements for which impact fees are due financed by bond proceeds.

LAND SALE NO. 2b

Property Identification

Property Type	Residential subdivision
Property Name	Stoneridge - Village 3
Address	Southeast quadrant of East Roseville Parkway and Secret Ravine Parkway, Roseville
APN	456-010-007 (prior)

Sale Data

Grantor	Nick Alexander
Grantee	N/A
Sale Date	February 2001 (COE)
Property Rights	Fee Simple
Marketing Time	N/A
Conditions of Sale	Market
Financing	All cash to the seller
Verification	Seller (Nick Alexander), #916-773-6108
Sale Price	\$7,776,000
Site Development Costs	\$0
Bonds	\$1,438,560
Permits and Fees	<u>\$1,151,496</u>
Total Consideration	\$10,366,056
Bonds/Assessments	\$1,530 per unit/annual

Land Data

Zoning	R1, Residential
Topography	Rolling to moderately sloping
Utilities	All to site (seller's responsibility)

Land Size Information

Gross Land Size	26+/- acres
Typical Lot Size	10,800 square feet
Number of Lots	72

Indicators

Sale Price/Finished Lot	\$108,000
Development Costs/Lot	\$ 0
Bonds	\$ 19,980
Permits and Fees	<u>\$ 15,993</u>
Sales Price/Finished Lot	\$143,973

Remarks

This comparable represents the re-sale of Village #3 of the Stoneridge project. The seller created building pads for all 72 lots and then negotiated this transaction with the buyer.

COMPARABLE NO. 3

Property Identification

Property Type	Residential subdivision
Property Name	Stoneridge - Village 4 (portion)
Address	Northeast quadrant of East Roseville Parkway and Alexandra Drive, Roseville
APN	456-010-010 & 013 (portion)

Sale Data

Grantor	AKT Development Corporation
Grantee	R.A.H. Development Company
Sale Date	June 2001 (contract)
Property Rights	Fee Simple
Marketing Time	N/A
Conditions of Sale	Market
Financing	All cash to the seller
Verification	Seller's representative
Sale Price	\$11,385,000 finished
Development Costs	\$ 0
Bonds	\$1,978,020
Permits and Fees	<u>\$2,970,000</u>
Total Consideration	\$16,333,020
Bonds/Assessments	\$1,530 per unit/annual

Land Data

Zoning	R1, Residential
Topography	Rolling to moderately sloping
Utilities	All to site (selling as finished lots)

Land Size Information

Gross Land Size	39.64 acres
Typical Lot Size	14,867 square feet
Number of Lots	99

Indicators

Sale Price/Finished Lot	\$ 115,000
Bonds/Lot	\$ 19,980
Permits and Fees	<u>\$ 30,000</u>
Sales Price/Finished Lot	\$ 164,980

Remarks

This comparable represents the pending sale of Village 4 in Stoneridge, one of the subject parcels. The property is to transfer as finished lots; on-site development is currently underway. This transaction represents the latest negotiated sale with the Stoneridge development.

LAND SALE NO. 4

Property Identification

Property Type	Residential, Subdivision
Property Name	Stoneridge - Village 6
Address	East of East Roseville Parkway and south of Alexandra Drive, Roseville.
APN	456-010-014

Sale Data

Grantor	AKT Development Corporation
Grantee	US Homes
Sale Date	July 2, 1999 (COE)
Property Rights	Fee Simple
Marketing Time	N/A
Conditions of Sale	Market
Financing	All cash to the seller
Verification	Seller's representative
Sale Price	\$ 6,552,000
Site Development Costs	\$ 5,040,000
Bonds	\$ 2,468,088
Permits and Fees	<u>\$ 2,015,118</u>
Total Consideration	\$16,075,206
Bonds/Assessments	\$1,500 per lot/annual

Land Data

Zoning	R1 - Residential
Topography	Rolling to moderately sloping
Utilities	Available to the site

Land Size Information

Gross Land Size	45.78 acres
Typical Lot Size	10,000 square feet
Number of Lots	126 finished lots

Indicators

Sale Price/Paper Lot	\$ 52,000
Development Costs/Lot	\$ 40,000
Bonds	\$ 19,588
Permits and Fees	<u>\$ 15,993</u>
Sales Price/Finished Lot	\$127,581

Remarks

This comparable represents the sale of Village 6 within the Stoneridge project of Roseville, which is one of the subject parcels. It should be noted that this sale was negotiated in December of 1998, with market conditions improving through the transfer date cited.

As proposed, the Stoneridge West CFD will finance a portion of the improvement costs for which impact fees are due. As a result, the permit and fee structure for these lots will be lower than other residential lots in the Stoneridge project which do not have regional improvements for which impact fees are due financed by bond proceeds.

LAND SALE NO. 5

Property Identification

Property Type	Residential subdivision
Property Name	Diamond Creek - Village 2 & 3
Address	North of Blue Oaks Boulevard, west of Woodcreek Oaks Boulevard, Roseville
APN	017-011-029 & 041

Sale Data

Grantor	Diamond Creek Partners
Grantee	Meritage Homes
Sale Date	January 28, 2000
Property Rights	Fee Simple
Marketing Time	N/A
Conditions of Sale	Market
Financing	All cash to the seller
Verification	Chris Ksidakis, broker
Sale Price	\$4,704,500
Site Development Costs	\$3,395,000 (est.)
Bonds	\$1,823,988 (est.)
Permits and Fees	<u>\$1,940,000</u>
Total Consideration	\$11,863,488
Bonds	\$1,440 per lot/annual

Land Data

Zoning	R1, Residential
Topography	Generally level
Utilities	Available to the site

Land Size Information

Gross Land Size	30 acres
Typical Lot Size	7,700 square feet (approximately)
Number of Lots	97

Indicators

Sale Price/Paper Lot	\$ 48,500
Development Costs/Lot	\$ 35,000 (estimated finishing costs)
Bonds	\$ 18,804
Permits and Fees	<u>\$ 20,000</u>
Sales Price/Finished Lot	\$122,304

Remarks

Diamond Creek Villages #2 and #3 were purchased in January 2000 by Meritage Homes. Reportedly, the property had previously been in escrow with another merchant builder approximately nine months earlier. The property is encumbered with bonds and special tax obligations that equate to approximately \$120 per lot per month. Access to the property is good via Parkside Way and Opal Drive. Meritage began marketing homes for sale within this project in November 2000.

LAND SALE NO. 6

Property Identification

Property Type	Residential subdivision
Property Name	Empire Ranch - Village 40A & 40B
Address	Empire Ranch - Folsom
Thomas Bros.	261-J4
APN	Village 40 - A & B

Sale Data

Grantor	Empire Ranch
Grantee	Meritage Homes
Sale Date	December 2000 (Negotiated)
Property Rights	Fee Simple
Marketing Time	Not provided
Conditions of Sale	Market
Financing	All cash to the seller
Verification	Buyer's representative
Sale Price	\$4,826,000 paper lot price
Site Development Costs	\$2,774,000
Bonds	\$1,286,224
Permits and Fees	<u>\$1,938,000</u>
Total Consideration	\$10,824,224
Bonds/Assessments	\$1,296 per lot/annual

Land Data

Zoning	Residential
Topography	Generally level
Utilities	Available

Land Size Information

Gross Land Size	Not provided
Typical Lot Size	9,120 square feet
Number of Lots	76

Indicators

Sale Price/Paper Lot	\$ 63,500
Development Costs/Lot	\$ 36,500
Bonds	\$ 16,924
Permits and Fees	<u>\$ 25,500</u>
Sale Price/Gross SF	\$142,424

Remarks

This comparable represents the pending transfer of 76 lots within the Empire Ranch development of Folsom to Meritage Homes. The sale includes the 76 lots, with lot dimensions of 76' X 120', sold at a paper lot price equivalent to \$63,500/lot, with reported finishing costs of \$36,500/lot (inclusive of lot construction costs and reimbursements). Thus, the finished lot indicator, per lot, was calculated as \$100,000 plus bonds. Reportedly, this sale was negotiated during the month of December 2000. The transfer is expected to close by the end of the 2nd quarter 2001.

Bulk Valuation

The preceding sales indicate the following: 1) there has been an active market for improved and unimproved lot sales during the past 24 months in the subject's submarket area, and 2) There is a direct relationship between the typical lot size and the sales price per lot. This is to say that as the typical lot size increases, the sales price per lot also increases. This is clearly indicated on the following chart (arranged by lot size):

Sale No.	Lot Size (sf)	Lot Value	Comments
1 (Village 2)	6,600	\$ 101,983	Negotiated 1998
1 (Village 1)	7,150	\$ 103,144	Negotiated 1998
5	7,700	\$122,304	
6	9,120	\$142,424	Negotiated December 2000
4	10,000	\$127,581	Negotiated 1998
1 (Village 5)	10,000	\$128,862	Negotiated 1998
2b ¹²	10,800	\$143,973	
3	14,867	\$164,980	Negotiated 2001

As evidenced in the chart above, there is a direct correlation between the size of the lot and the sales price per lot. The exceptions to this direct relationship are easily rationalized. Sales 1 and 4 both occurred in 1998 and are the oldest sales included in the data set. The remaining sales all occurred between 1999 and June 2001, and indicate increasing sales prices due to superior market conditions.

A number of the subject's lots enjoy premium positioning relative to the standard interior lots. Lots contiguous to open space, in cul-de-sacs, or at corner locations are considered to enjoy premium positioning. Conversely, a few of the subject's lots are positioned contiguous to Alexandra Drive, East Roseville Parkway and Secret Ravine Parkway, which are considered to have a negative influence on the effected lots. For the purposes of this analysis, we have not estimated the individual values on a "lot-by-lot" basis. Rather, the estimated market value of the existing and proposed finished lots will be estimated on a "subdivision-by-subdivision" basis, and any individual lot premiums or discounts are considered to be nominal in terms of overall valuation. All premiums and discounts estimated for the subject's lots have been considered in our valuation of the subject properties on a bulk basis.

¹²Only the latest transfer of this property is reflected in this portion of the analysis.

Onsite Development

Some of the comparable sales presented were sold and delivered as a combination of unimproved and finished lots. Thus, site development costs need to be added to each of these sales (where necessary) in order to analyze the subject based on a finished lot condition. When warranted, adjustments for remaining finishing costs have been made.

Offsite Development

The comparables will be analyzed on a price per finished lot basis, which includes sufficient water rights, roadways and utilities available to the perimeter (off-tract improvements), and with all in-tract work completed. For those sales, which were negotiated based on a paper lot value, or combination of paper and finished lots, adjustments for site development costs are required. Property specific site development costs will be used to calculate the finished lot values for each of the projects within the data set.

Additional Adjustments

In order to value the various subject sites, the comparable transactions were adjusted based on the profile of the subject site with regard to categories that affect market value. If a comparable has an attribute that is 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 that are considered inferior to the subject and are adjusted upward. In order to isolate and quantify the adjustments on the comparable sales data, percentage or dollar adjustments are considered appropriate. 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)
- Location
- Physical Features

A paired sales analysis is performed in a meaningful way when the quantity and quality of data are available. However, it is very rare that any two sales are similar in all characteristics except one, and as a result, 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 and the value conclusion for the subject follows.

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&R's). The subject and all the comparables represent fee simple estate transactions. Therefore, adjustments for this factor 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 by 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.

All of the comparable sales were cash to the seller transactions and therefore, do not require adjustments for financing.

Conditions of Sale (motivation)

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 an adjustment for conditions of sale.

Market Condition (time)

The market condition generally changes over time, but the date of this appraisal is for a specific 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 comparable sales date and the effective date of this appraisal may warrant adjustment. However, if market conditions have not changed, then no time adjustment is required.

As discussed throughout the appraisal report, market conditions for residential property in the Roseville area has been constantly improving over the past few years. Thus, in analyzing the six sales, upward adjustments are warranted for improvements in market conditions for sale #1, #2a, #4, #5 and #6.

Thus, primarily based on changes in market conditions, (as evidenced by new home sales activity), we have adjusted the comparables as warranted.

Location

The subject and comparables are located either within relative proximity, or in competing areas with similar facilities and amenities. Accordingly, no adjustments for location were required.

Physical Features

The physical characteristics of a property can impact the selling price. Those that may impact value include the following:

Number of Lots

There is a difference in the number of lots transferring between the sales. However, the only variance in total lot count between the comparables that is judged to warrant an adjustment is represented by comparable sale #1. Comparable sale #1 reflects the transfer of 368 lots within the Stoneridge project. Due to the significantly greater number of lots included in this sale, we have adjusted this comparable upward to account for economies of scale.

Lot Sizes

In the following analysis, the sales are adjusted upward for inferior (smaller) lot sizes and downward for superior (larger) lot sizes. The degree of adjustment is dependent on the size disparity between the comparable and the subject's average lot size.

Zoning

All of the sales have the similar zoning allowing for development with single-family residences. Thus, no adjustments are necessary for zoning.

Density

Any variances in density are addressed in our lot size adjustments.

Entitlements / Stage of Development

All of the sales had either tentative map approval or final map approval. For those comparables at the tentative map stage we have adjusted for the cost to complete the site development costs. Consequently, no adjustment is warranted for either entitlements or site condition.

Lot Premiums

As previously mentioned, this analysis is concerned with the bulk value of the various subject parcels. As such, premiums (project location) that would be achieved on an individual retail basis have been considered based upon their influence of the value of the property in bulk. Like the subject, the comparables contain particular lots that enjoy premium positioning and size within their respective projects. Thus, no adjustment for this factor is warranted.

Topography/Utility

Differences in contour grade, drainage, or soil conditions can affect the utility and therefore the market value of the lots. The comparable properties all offer terrain with similar utility. No adjustments are required for topography or utility.

Conclusion - Bulk Value of Finished Residential Lots

During our investigation, we identified several sales and pending sales of improved and unimproved lots throughout the subject's area. In total we have presented 6 comparables, which proved helpful in estimating the market value for the subject properties. As mentioned, the density or typical lot size is probably the single most important factor to consider.

At the improved lot stage the data set exhibits an unadjusted range in per lot values from \$101,983 (Village 2 – a component of sale #1) to \$164,980. The value range reflected represents the loaded lot amount (inclusive of bond debt and permits and fees). After applying the previously cited adjustments, the bulk value by lot size grouping is estimated as follows:

Typical Lot Size	Finished Lot Value
6,600	\$122,000
7,150	\$127,000
10,000	\$152,000
10,800	\$157,000
14,867	\$165,000

Utilizing the full loaded lot values concluded above, we have deducted the permit and fee schedules applicable to each of the subject's villages to derive a final estimate of the bulk lot value for each subject village.

STONERIDGE WEST RESIDENTIAL LOT SUMMARY (IMPROVED LOTS)				
Village	TYPICAL LOT SIZE	BULK VALUE/LOT LOADED LOT	LESS PERMITS & FEES	BULK VALUE/LOT
1	7,150	\$127,000	\$16,500	\$110,500
2	6,600	\$122,000	\$16,500	\$105,500
3	10,800	\$157,000	\$16,500	\$140,500
4	14,867	\$165,000	\$30,000	\$135,000
5	10,000	\$152,000	\$16,500	\$135,500
6	10,000	\$152,000	\$16,500	\$135,500

Conclusion – Value of Parcel 28 with Tentative Paper Lots

In estimating the market value for subject parcel 28, we have considered the same 6 sales previously discussed. However, each sale was analyzed at the indicated unimproved lot stage. For those sale transactions that transferred as unimproved lots, the indicated sales price was analyzed without adding for the cost to improve the property to the fully improved residential lot status. Conversely, for those sales that transferred as improved residential lots, the cost to improve the property was deducted from the sales price.

After analyzing the available market data, we have estimated the market value for subject's parcel 28 at **\$60,000 per unimproved lot**. This estimate of value is based on the assumption that the proposed subdivision will include a total of 62 lots, with a predominate lot size of 7,500 square feet.

SUMMARY OF LOT VALUES

Following is a summary of the concluded per lot values by Village:

STONERIDGE WEST RESIDENTIAL LOT SUMMARY			
Village	# UNITS	TYPICAL LOT SIZE	BULK VALUE/LOT (Round)
1	170	7,150	\$110,500
2	104	6,600	\$105,500
3	72	10,800	\$140,500
4	99	14,867	\$135,000
5	94	10,000	\$135,500
6	126	10,000	\$135,500
Parcel 28	62	7,500	\$ 60,000
Total Units	727		

MODEL HOME VALUATION

As of the effective date of this appraisal report, May 27, 2001, five of the subject villages had commenced construction of model homes and/or new homes within phase 1 of their individual developments. However, only some of the model homes had reached the stage of construction in which the exterior finish (stucco) had been completed and the roof was completed. Some subdivisions had commenced construction of phase 1 homes, but none had progressed beyond the framing stage.

The status of the construction varied from village to village, and a summary of the construction status of the model homes is as follows:

Village No.	Models Under construction	Construction Status
1	6	Exterior complete, roof complete
2	3	Exterior complete, roof complete
3	0	N/A
4	0	N/A
5	3	Framing underway
6	3	Framing, exterior walls, and roofing under construction

We have considered the contributory value for those homes under construction that had exterior walls and roofing completed. Those proposed homes with only "framing" work done were judged to offer no contributory value to the subject properties as a whole. Therefore, these later units were valued at the improved lot stage. For the reader's reference, the homes valued as partially complete are highlighted in the table above.

Valuation Methodology

The Cost and Sales Comparison Approaches were used to value each of the nine homes that have been constructed to the point of having the exterior finished and roof completed. Primary reliance will be placed on the value indicated via the Sales Comparison Approach, with the Cost Approach providing a supporting estimate of value.

In the following section the homes will be valued as if complete. The as complete value estimates will then be integrated into the subdivision development approach to derive the contributory value of the partially complete units. In the subdivision development approach the value for the homes, as if complete, will be presented as a component of the revenue stream, with the costs to complete the homes deducted as an expense item.

The valuation of the subject's nine model homes begins on the following page.

Cost Approach

The Cost Approach is based on an estimate of the cost of the improvements plus the value of the underlying land. The significant factors in this analysis are:

- Land Valuation
- Direct and Indirect Costs
- Accrued Depreciation
- Developer's Overhead and Profit

Land Valuation

Based on the lot values concluded in the previous section, the subject's 6,600 square foot lots are concluded to have a lot value of \$105,500 (inclusive of bond encumbrance). The subject's lots with a typical lot size of 7,150 square feet were judged to have a lot value of \$110,500 (inclusive of bond encumbrance). These unit values will be utilized in developing values for the subject's floor plans.

Direct and Indirect Costs

The initial step in the improvement cost analysis is a determination of the quality of construction for the subject homes. An examination of both materials and workmanship is fundamental when determining the overall quality of construction. Based on our inspection of the subject's floor plans, the subject units represent average to good quality construction.

Construction costs are generally classified into two groups, direct and indirect costs. Direct Costs reflect the cost of labor and materials to build the project. Indirect items are the carrying costs and fees incurred in developing the project and during the construction cycle. The following list itemizes some of the typical components, which generally comprise indirect costs:

- Architectural and engineering fees for plans, plan checks, surveys and environmental studies
- Appraisal, consulting, accounting and legal fees
- The cost of carrying the investment in land and contract payments during construction. If the property is financed, the points, fees or service charges and interest on construction loans are considered
- All-risk insurance
- The cost of carrying the investment in the property after construction is complete, but before sell-out is achieved
- Marketing, sales commissions or title transfers
- Developer fee earned by the project coordinator

Conversations with local homebuilders indicate that the cost items, which comprise the indirect cost category, can range anywhere from 20% to 30% of the direct costs. The results of our survey of local builders substantiate this range. Based on the experience of other similar projects in the subject's market area, a factor of 25% of direct costs will be utilized to account for the indirect items.

An allowance for developer's overhead and profit is also required to realistically reflect the total project costs. The typical allowance for this factor is 10% to 20%, or more. Considering current market conditions, a 15% allowance (lot plus home costs) will be used in the valuation of the subject's product line.

The elements of cost utilized in the following cost approach to value were derived based on the construction budget of other builders in the area. Following is the comparison of construction costs:

Comparable Project Costs – Presented By Subdivision

JTS Communities @ Serrano (El Dorado Hills)						
Plan	2,775	2,801	3,070	3,367	3,901	4,235
Direct Costs	\$156,144	\$138,489	\$143,776	\$175,324	\$175,813	\$193,245
\$/SF	\$56.27	\$49.44	\$46.83	\$52.07	\$45.07	\$45.62
Morgan Creek (West Roseville)						
Plan	2,770	3,005	3,555	3,900	4,478	
Direct Costs	\$151,438	\$190,666	\$182,219	\$221,183	\$194,384	
\$/SF	\$57.38	\$56.76	\$54.29	\$52.00	\$49.95	
Granite Bay Series (East Roseville)						
Plan	2,662	3,070	3,367	3,960	4,235	4,878
Direct Costs	\$131,706	\$147,810	\$179,289	\$174,622	\$191,838	\$203,515
\$/SF	\$49.48	\$48.15	\$53.25	\$44.59	\$45.30	\$41.72
Camden Estates (Elk Grove)						
Plan	1,837	2,683	2,847	4,175		
Direct Costs	\$103,515	\$127,013	\$136,855	\$180,235		
\$/SF	\$56.35	\$47.34	\$48.07	\$43.17		
Greyhawk Homes (Granite Bay)						
Plan	2654	3150	3500	3820	4150	4380
Direct Costs	\$151,438	\$190,666	\$182,219	\$221,183	\$194,384	\$233,612
\$/SF	\$57.06	\$60.53	\$52.06	\$57.90	\$46.84	\$53.34

As further support for the cost approach, the comparable construction budgets presented were compared to data contained in the Marshall & Swift Residential Cost Handbook for reasonableness. Based on that comparison the projected cost estimates utilized in this analysis are considered reasonable. It should be noted that cost budgets observed typically keep in line with economies of scale. In other words, as the size of the home increases, the reported costs per square foot decrease (inverse relationship). Thus, we have concluded that costs per square foot for the subject's smallest plans should be greater than the cost for the larger plans, keeping in line with economies of scale. Considering the range of prices per square foot indicated by the cost comparables and supported by the Marshall & Swift Residential Cost Handbook, we have estimated the direct costs per square foot for the subject floor plans analyzed (see following page).

COST ESTIMATES PSF FOR THE SUBJECT'S FLOOR PLANS			
Square Feet	<2,500 SF	>2,500 <4,000SF	>4,000 SF
Projected Cost PSF	\$57	\$53	\$50

Accrued Depreciation

Depreciation is of a physical, functional, or economic nature. A physical loss results from the normal aging process of a structure as well as wear and tear on the improvements. A functional loss results from an inefficient or super adequate design of the improvements. Economic depreciation is the result of an adverse influence that exists beyond the property's boundaries. Since the subject homes represent new construction, functional in design and in a viable location for a single-family subdivision, no deductions for depreciation are considered necessary.

Conclusion – Cost Approach

The following cost estimates are based upon the parameters previously discussed. Our value conclusions derived via the cost approach will then be compared with the value conclusions derived via the sales comparison approach presented later in this report. Our value conclusions for the subject's floor plans will be explained in greater detail later in this report. For the reader's reference, the cost estimates for each of the subject floor plans are summarized on the following page:

COST APPROACH

Stoneridge West

Model Name	Sonoma	Carmel	Monterey	Marbella	Palmera	Monaco	Montreal	Montecito II	Veranda
Subject Floor Plan SF	2,593	3,711	4,262	3,267	3,487	4,093	2,191	2,892	3,179
Permits & Fees*	\$ 17,274	\$ 17,274	\$ 17,274	\$ 17,274	\$ 17,274	\$ 17,274	\$ 17,274	\$ 17,274	\$ 17,274
Direct Costs**	\$ 137,429	\$ 196,683	\$ 213,100	\$ 173,151	\$ 184,811	\$ 204,650	\$ 124,887	\$ 153,276	\$ 168,487
Indirect Costs @ 25%	\$ 34,357	\$ 49,171	\$ 53,275	\$ 43,288	\$ 46,203	\$ 51,163	\$ 31,222	\$ 38,319	\$ 42,122
Lot Value	\$ 110,500	\$ 110,500	\$ 110,500	\$ 110,500	\$ 110,500	\$ 110,500	\$ 105,500	\$ 105,500	\$ 105,500
Sub-total	\$ 299,560	\$ 373,628	\$ 394,149	\$ 344,213	\$ 358,788	\$ 383,587	\$ 278,883	\$ 314,369	\$ 333,383
Developer's Profit @ 15%	\$ 44,934	\$ 56,044	\$ 59,122	\$ 51,632	\$ 53,818	\$ 57,538	\$ 41,832	\$ 47,155	\$ 50,007
Total	\$ 344,494	\$ 429,672	\$ 453,271	\$ 395,845	\$ 412,606	\$ 441,124	\$ 320,715	\$ 361,524	\$ 383,390
Indicated Value	\$ 344,000	\$ 430,000	\$ 453,000	\$ 396,000	\$ 413,000	\$ 441,000	\$ 321,000	\$ 362,000	\$ 383,000
Indicated Value PSF	\$ 133	\$ 116	\$ 106	\$ 121	\$ 118	\$ 108	\$ 146	\$ 125	\$ 121

* Based on lower permit and fee structure created by financing a portion of the regional improvements for which impact fees are due.

** Homes less than 2,500 sf: \$ 57

** Homes > 2,500 sf < 4,000 sf: \$ 53

** Homes > 4,000 sf: \$ 50

SALES COMPARISON APPROACH

The Sales Comparison Approach considers recent sales of single family residences in the subject's market area. The data considered most relevant to this analysis are shown on the following market grids. Comparable sales were obtained from sales within the subject's active subdivisions (Winncrest at Saratoga, Renaissance Collection at Saratoga, and Cambria at Stoneridge – all Winncrest Homes Subdivisions), as well as from the following comparable projects in the surrounding area: Legends by US Homes, Sienna Woods by JMC Homes, Ashley Woods by Centex Homes, and Granite Bay Series by JTS Communities. Comparables utilized in our analysis of the subject's smallest plan were derived from sales within the Legends by US Homes and Sienna Woods by JMC Homes subdivisions. These comparable projects are located northwest of the subject project, in an area that is considered to be inferior to the subject. Thus, locational adjustments have been made to comparables from these projects. The comparables utilized in our valuation for the subject's remaining floor plans all come from sales or listings from within the subject subdivisions and from two comparable projects, Ashley Woods by Centex Homes (located in Granite Bay) and The Granite Bay Series by JTS Communities (located in East Roseville). The Granite Bay area is considered slightly superior to the subject in terms of location, and the Ashley Woods comparables have been adjusted accordingly. Comparables taken from sales within the Granite Bay Series by JTS Communities have been adjusted downward for superior quality of construction. This adjustment reflects the tendency observed in the market for production home units offered by JTS Communities within master planned communities to achieve higher prices than other merchant builders. Generally speaking, JTS Communities products have achieved between 15% and 35% higher prices than other production home builders offering similar size products within master planned communities in the Greater Sacramento Area. The difference in pricing is judged to be an issue of quality of construction. Thus, we have adjusted these comparables downward for their superior quality of construction.

The Individual Base Retail Value is an analysis to provide the retail values for the individual floor plans as base units, as of the effective date of value. It does not consider the time to sell the units to individual buyers. A Sales Comparison Approach is performed in order to establish individual retail values of each floor plan. In doing this, comparable projects are surveyed and correlated with any pre-sales and historical sales from the subject project.

The objective of this survey is to estimate the "base price per floor plan" exclusive of incentives. Incentives can take the form of direct price reductions or non-price incentives such as upgrades or non-recurring closing costs. Closed sales, list prices less typical incentives, and historical subject sales, if any, are considered in the estimation of "base price." In this analysis, the base price for the subject product line pertains to an interior subject lot. The Village 1 projects (the two Saratoga projects) offer a standard lot of approximately 7,150 square feet. In contrast, the Village 2 (Cambria) lots reflect a standard lot of approximately 6,600 square feet.

As of the date of value reported in this analysis, there were nine model homes constructed at the subject's previously cited three active subdivisions. We have estimated the value of each of the subject's floor plans (models) utilizing the sales comparison approach to value.

Developer's Pricing Schedule

Following is the current pricing (exclusive of bond encumbrance) for the nine subject floor plans, that are currently constructed as models, as indicated by the sales offices at Winncrest at Saratoga, Renaissance Collection at Saratoga, and Cambria at Stoneridge:

Winncrest Classics at Saratoga			
Modeled Floorplans	Plan 2593	Plan 3711	Plan 4262
Listing Base Price	\$357,950	\$414,950	\$449,950
Renaissance Collection at Saratoga			
Modeled Floorplans	Plan 3267	Plan 3487	Plan 4093
Listing Base Price	\$399,950	\$412,950	\$448,950
Cambria at Stoneridge			
Modeled Floorplans	Plan 2191	Plan 2892	Plan 3179
Listing Base Price	\$319,950	\$357,950	\$380,950

Based on the results of our market survey of comparable new production housing projects and sales generated within the subject, the developer's pricing appears generally consistent with current market values for similar new homes.

Historical Project Sales

Sales have occurred and have been reported to the appraisers within the subject Renaissance Collection at Saratoga project and are detailed in the sales comparison grids, when applicable, by floor plan. The recent sales analyzed suggest that the subject has been well received by the marketplace and that the current pricing strategy accurately reflects market value. Furthermore, sales data reported from competing projects suggests the subject should continue to enjoy steady market acceptance and absorption rates.

Correlation of Project to Local Housing Market

A survey of competitive residential projects offering similar new housing alternatives within the general sub-market area of the subject was previously discussed in the Market Overview section. Detail data sheets from *The Gregory Group* are contained in the addenda, as well as a comparable sales map and photographs.

As previously indicated, the sales analyzed from the subject's active subject subdivision represent the best indication of market value for the floor plans offered at the subject. These recent sales represent the actual floor plans that are the subject of this portion of our valuation. Thus, they are considered the most accurate indication of the market's acceptance and value of the subject properties. However, sales have not occurred for all nine of the subject floor plans, thus, comparables were generated and analyzed from sales occurring at competing projects. Adjustments have been made to the comparables sales utilized from the subject's active subdivision, as well as from comparable projects, to account for differences in physical characteristics, options/upgrades, phase/market changes, etc.

As noted earlier, the subject floor plans consist of nine floor plans (currently modeled) ranging in size from 2,191 square feet to 4,262 square feet, with a corresponding base price range of \$319,950 to \$449,950 (exclusive of bond debt). The current pricing for the subject is generally consistent and competitive with the existing product in similar developments. The subject will compete directly with the new home projects in the Roseville area, as well as additional projects offered within the greater Sacramento area. We have investigated the surrounding area in our analysis of the subject's likely acceptance in the overall market, as well as absorption rates. This analysis will be discussed in greater detail later in this section.

Based on sales activity within the subject project as well as competing projects, the subject is judged to be well positioned within its market.

Discussion of Adjustments

In order to value the subject units, the comparable transactions were adjusted to reflect the subject with regard to categories that affect market value. If a comparable has an attribute that is 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 that are considered inferior to the subject and are adjusted upward. In order to isolate and quantify the adjustments on the comparable sales data, percentage or dollar adjustments are considered appropriate. 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)
- Location
- Physical features

A paired sales analysis is performed in a meaningful way when the quantity and quality of data are available. However, as a result of the limited data present in the market, 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 and the value conclusion for each unit follows.

Property Rights Conveyed

In transactions of real property, the rights being conveyed can vary widely and have a significant impact on the sales price. As noted previously, the value estimate 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 facilities districts, homeowners associations, and conditions, covenants and restrictions (CC&R's).

All of the sales have transferred the fee simple ownership subject to the same limitations noted above. Thus, no adjustments are necessary.

Financing Terms

In analyzing the comparables, it is necessary to adjust for financing terms that differ from market terms. If the seller provides incentives in the form of paying for closing costs or an interest rate buy down, a discount has been obtained by the buyer for financing terms. This discount price must then be adjusted to a cash equivalent basis.

None of the comparable sales were noted to have favorable financing. Thus, no adjustments were necessary for this factor.

Conditions of Sale (motivation)

The definition of "Market Value" assumes a negotiated arm's length transaction. The conditions of sale for all the comparables are negotiated, arm's-length transactions and are considered normal transactions. Occasionally, transactions in the new-home market involve incentives provided by the seller. Incentives are usually specific to each transaction as they are influenced by the marketing strategy used in the project, as well as by the negotiating power of the buyer. In researching each comparable sale, it was noted that due to the strong demand in the market for new residential products, the only incentives observed related to buyers utilizing mortgage options provided by the seller (and seller related parties). Only one of the comparable sales was noted to have a significant incentive. Thus, this comparable, from the US Homes Legends project, was adjusted as necessary for this factor.

Market Conditions (time)

Market conditions vary over time, but the date of this appraisal is for a specific point in time. In a dynamic 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 city, 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.

Market conditions are improving in the subject's area. This is evidenced by the continual price increases observed within the projects analyzed in our sales comparison approach. According to the sales agents interviewed and *The Gregory Group Data Sheets*, each of the projects surveyed has raised their base prices over the past six months. In most instances multiple price increases have been implemented, without concessions. Some projects have increased base prices with each new phase while other projects have increased base price offerings in consistent time increments. Appropriate adjustments will be made for pending and closed sales negotiated at base prices below current selling prices for the identical floor plan. It should be noted that absorption rates have also remained steady or increased in the past six months at most of these projects, even with the price increases. Please see the adjustment grids for the individual adjustments.

Location

Location is a very important factor to consider when making comparisons. The comparables need not be in the same neighborhood but should be in neighborhoods which offer the same advantage and have, in general, the same overall desirability to the most probable buyer or user.

As previously indicated, sales have been analyzed from the within the subject project as well as from comparable projects in the subject's general area. Although the appraiser could have expanded the search into other surrounding areas, the locational differences would have been difficult to quantify. This would have impacted the reliability of the indicators from sales comparables. Thus, fewer projects were used, but these projects are judged to be similar in location, in that they are similar distances from employment centers, parks, services, etc. Adjustments are warranted for differences in location between the subject project and all other projects utilized except for JTS Communities Granite Bay Series at Olympus Point. The Granite Bay Series project in Olympus Point is judged to be similar to the subject in terms of location. Upward adjustments are warranted from sales from other competitive projects from the Roseville area (Legends by US Homes in Diamond Creek and Sienna Woods by JMC Homes in Crocker Ranch). These projects are considered to be inferior to the subject in terms of location. Conversely, sales from the Ashley Woods project by Centex Homes in Granite Bay have been adjusted downward for location. The Granite Bay area has enjoyed rapid appreciation in recent years, outpacing the impressive growth observed in the surrounding areas, including the Roseville area. Thus these comparables have been adjusted downward accordingly.

Physical Features

Special Assessments

Most of the comparables are located in Community Facilities Districts and subject to special taxes. For those comparables which we do not have the actual bond encumbrance, a present value calculation was performed. Our present value calculation is based upon the annual assessment levied against the property, with an estimated 25-year term and an interest rate of 7.5%. The total

amount of the current bond encumbrance has been added to each comparable sale to reflect the total consideration related to each transfer.

Upgrades

The subject properties are appraised with the standard features specified by the developer. The adjustments for upgrades specifically relate to the comparable sales presented. Adjustments were made for the actual dollar amount of upgrades when appropriate.

Lot Size

The lot size adjustment pertains to the differences between the project's base lot size and either larger or smaller lots. It does not include any premium location adjustments, which are adjusted for later, based on the actual premiums noted through the respective sales offices. The amount of the adjustment used in the comparison of the base lot sizes comes from a survey of premiums paid for larger lots. The result of this survey generally indicates an adjustment of approximately \$1.50 to \$4.00 per square foot for the difference in lot sizes. For the purposes of this analysis an adjustment toward the upper end of this range, or \$3.50 PSF, is judged to be reasonable. This adjustment will be applied to the total difference in lot size when compared to the subject's typical lot size. It should be noted that the six floor plans currently modeled at the subject's Saratoga projects exhibit a typical lot size of 7,150 square feet. The three model homes in the Cambria project (Village 2) offer a typical lot size of 6,600 square feet.

Lot Premium

It should be noted that any lot premium adjustments for view or specific location (next to park, cul-de-sac, etc.) are based on the actual amount provided by the sales agents.

Design/Appeal/Quality

Design and appeal of a floor plan is consumer specific. One exterior may appeal to one buyer, while another appeals to a different buyer. These types of features for new homes with similar functional utility are not readily noted in the base sales prices. The quality, however, can differ slightly to substantially between projects and is noted in the exterior and interior materials and design features of a standard unit.

The subject product line is judged to be average to good quality of construction for the area. Likewise, each of the projects utilized in the following analysis is concluded to offer homes of similar quality. The only exception relates to the production units offered by JTS Communities at the Granite Bay Series project. As previously indicated, JTS Communities has enjoyed achieving price points that are generally 15% to 35% higher than other merchant builders within master planned communities offering production units of similar size. Thus, we have adjusted, for quality of construction, the comparables utilized from the Granite Bay Series by JTS Communities. No other adjustments are necessary.

Room Count

For similar size units the differences between room count is a buyer preference. One buyer might prefer one bedroom and a den versus a two-bedroom unit. Extra rooms relate to the size of the unit and are adjusted for under unit size. No adjustments are made for number of total rooms or bedrooms.

Because bathrooms are a functional item for each floor plan and add substantial cost due to the number of plumbing fixtures, an adjustment is made for the difference in the number of fixtures between the subject and the comparable sales. This is based on an amount of \$1,500 per fixture (or half-bath). This is supported by cost estimates for an average quality home in the Marshall and Swift handbook and considering the plumbing upgrades for existing bathrooms range from \$750 to over \$1,500 for the various fixtures, the \$1,500 per fixture adjustment is adequately supported.

Unit Size/Living Area

Units similar (in the same development), except for size, were compared to derive the applicable adjustment for unit size. Those used for comparison purposes, are units within similar projects. Units within the same project were used since they have a high degree of similarity in quality, workmanship, design and appeal. Other items such as a single level or 2-story designs, number of bathrooms, and number of garage spaces were generally similar in these comparisons, to avoid other influences in price per square foot. Where differences exist, they are minor and do not impact the overall range or average concluded. The range indicated by the paired units in this analysis generally demonstrated a value per square foot from approximately \$40 PSF to \$85 PSF. Considering the information cited above, a factor of \$65 PSF is concluded to be appropriate and reasonable for size differences between the subject and the comparables.

Parking/Garage

The subject's floor plans come with two and three car garages. Our survey of local real estate professionals indicates a premium value of approximately \$6,500 for an added garage space. When necessary an adjustment of \$6,500 will be utilized to account for differences in garage spaces.

Adjustment Grids for Individual Floor Plans

The following pages represent adjustment grids analyzing the subject's floor plans. In this process, each of the subject's floor plans is compared with four actual sales of similar homes in projects within the subject subdivision and comparable projects. Homes considered most competitive with the subject's floor plans and project are chosen for this analysis. Where market supported differences exist, adjustments were made. If the sale comparable is inferior to the subject, it is given a positive adjustment. If the sale comparable is superior to the subject, a negative adjustment is made. Considering the adjusted value range indicated, a value will be determined for each of the subject's units.

Dwellings from the subdivisions within the subject projects, as well as Legends by US Homes, Sienna Woods by JMC Homes, Ashley Woods by Centex Homes, and The Granite Bay Series by JTS Communities were utilized. The data illustrated within the adjustment grids may represent current listings, under contract and/or closed sales. The objective is to determine the current "base price" of each of the subject's floor plans. Sales information was obtained during interviews, and inspections of the projects. Where possible, more sales than those analyzed here were obtained and inspected to help determine reliability and to rule out unusual situations.

The interview and inspection process was also used to determine premium and nuance adjustments, if applicable.

Sales and listings from the subject's active projects and comparable projects were analyzed to determine a value each of the subject's nine floor plans analyzed. The results of this analysis are summarized on the following sales comparison grids. The adjustment grids presented are organized by subdivision; Winncrest Classics (Village 1), Renaissance Collection (Village 1) and Cambria (Village 2).

Winncrest @ Saratoga (2593)			SALES COMPARISON APPROACH					
ITEM	Adjust.	Subject Property	Comparable No. 1		Comparable No. 2		Comparable No. 3	
Project Name		Stoneridge	Winncrest @ Saratoga		Ashley Woods by Centex Homes		Renaissance at Stoneridge	
Plan		The Sonoma	The Sonoma - 2593		Plan 2509		Plan 2438	
Address or Lot/Tract		Base Lot	Listing		370 Allenwood Court		1539 Grey Owl Circle	
City		Roseville	Roseville		Granite Bay		Roseville	
Proximity to Subject		Subject Property	Subject		2 miles SE		Subject	
Price		N/Ap.		\$ 357,950		\$ 489,628		\$ 377,385
Price/Living Area		N/Ap.		\$ 138.04		\$ 195.15		\$ 154.79
Data Source		N/Ap.	Sales Office		Sales Office		Sales Office	
ADJUSTMENTS			Description	+/(-)	Description	+/(-)	Description	+/(-)
Incentives		None	None		None		None	
			Upgrades	\$ -	Upgrades	\$ (61,428)	Upgrades	\$ (6,935)
Cash Equivalent Price				\$ 357,950		\$ 428,200		\$ 370,450
Sold/Closed		N/Ap.	Listing		Pending		Pending	
Date of Sale		N/Ap.			1/29/01		5/19/01	
Closed/Escrow/Listing		N/Ap.	6/25/01					
Phase Adjustment		N/Ap.		\$ -		\$ 35,000		\$ -
Project Location		Stoneridge	Subject		Granite Bay	\$ (25,000)	Subject	
Tax/Sp. Assessm		Special Asmts.	Special Asmts.	\$ 15,150	Special Asmts.	\$ -	Special Asmts.	\$ 15,150
Leasehold/Fee Simple		Fee Simple	Same		Similar		Similar	
HOA/month		\$ -	\$ -		\$ 77		\$ -	
Common Facilities		Master Facilities	Subject		Similar		Similar	
Density, (if attached)								
Lot Size - Min.	\$ 3.50	7,150	7,150	\$ -	17,924	\$ (37,709)	7,150	\$ -
View		None	None		None		None	
Site Influence		Base	Similar		Similar		Similar	
Design & Appeal		1 Story	1 Story		2 Story		1 Story	
Quality of Construction		Average	Similar		Similar		Similar	
Age		New	Similar		Similar		Similar	
Condition		Good	Similar		Similar		Similar	
Room Count -Bedroom		4/2	4/2		4/3		4/2.5	
- Bath	\$ 1,500					\$ (3,000)		\$ (1,500)
Living Area	\$ 65	2,593	2,593	\$ -	2,509	\$ 5,460	2,438	\$ 10,075
Functional Utility		Good	Similar		Similar		Similar	
Heating/Cooling		Central/Forced	Similar		Similar		Similar	
Energy Efficient Items		Ind. Standard	Similar		Similar		Similar	
Garage	\$ 6,500	2 Car	2 Car		2 Car		2 Car	
Landscaping		Front	Similar		Similar		Similar	
Pool/Spa		None	Similar		Similar		Similar	
Patios/Decks		None	Similar		Similar		Similar	
Fencing		Side/rear	Similar		Similar		Similar	
Fireplace(s)		Yes, One	Similar		Similar		Similar	
Kitchen Equipment		RO, DW, MW	Similar		Similar		Similar	
Other		None					Lot Positioning	\$ (7,500)
Other		None						
Net Adjustments				\$ 15,150		\$ (25,249)		\$ 16,225
Gross Adjustments								
Indicated Base Value				\$ 373,100		\$ 402,951		\$ 386,675
Indicated Base Value PSF				\$ 144		\$ 155		\$ 149

	PSF		RANGE
Minimum Indicated Value	\$ 373,100	\$ 144	
Maximum Indicated Value	\$ 402,951	\$ 155	
Average Indicated Value	\$ 387,575	\$ 149	
Median Indicated Value	\$ 386,675	\$ 149	
Concluded Value	\$ 375,000	\$ 145	

RO = Range and oven

DW = Dishwasher

MW = Microwave

Winncrest @ Saratoga (3711)			SALES COMPARISON APPROACH					
ITEM	Adjust.	Subject Property	Comparable No. 1		Comparable No. 2		Comparable No. 3	
Project Name		Stoneridge	Winncrest @ Saratoga		Granite Bay Series by JTS		Renaissance at Stoneridge	
Plan		The Carmel	The Carmel - 3711		Plan 3600		Plan 3692	
Address or Lot/Tract		Base Lot	Listing		1772 Orvietto Drive		1528 Grey Owl Circle	
City		Roseville	Roseville		Roseville		Roseville	
Proximity to Subject		Subject Property	Subject		1 mile SW		Subject	
Price		N/Ap.	\$ 414,950		\$ 529,004		\$ 440,295	
Price/Living Area		N/Ap.	\$ 111.82		\$ 146.95		\$ 119.26	
Data Source		N/Ap.	Sales Office		Sales Office		Sales Office	
ADJUSTMENTS			Description +/-		Description +/-		Description +/-	
Incentives		None	None		None		None	
		Upgrades	\$ -		\$ (59,995)		\$ (5,345)	
Cash Equivalent Price			\$ 414,950		\$ 469,009		\$ 434,950	
Sold/Closed		N/Ap.	Listing		Pending		Pending	
Date of Sale		N/Ap.	6/25/01		3/1/01		5/26/01	
Closed/Escrow/Listing		N/Ap.	\$ -		\$ 12,891		\$ -	
Phase Adjustment		N/Ap.						
Project Location		Stoneridge	Subject		Olympus Pt.		Subject	
Tax/Sp. Assessm		Special Asmts.	\$ 15,150		Special Asmts. \$ 17,657		Special Asmts. \$ 15,150	
Leasehold/Fee Simple		Fee Simple	Same		Similar		Similar	
HOA/month		\$ -	\$ -		\$ -		\$ -	
Common Facilities		Master Facilities	Subject		Similar		Similar	
Density, (if attached)								
Lot Size - Min.	\$ 3.50	7,150	7,150 \$ -		9,089 \$ (6,787)		7,150 \$ -	
View		None	None		None		None	
Site Influence		Base	Similar		Similar		Similar	
Design & Appeal		2 Story	1 Story		2 Story		2 Story	
Quality of Construction		Average	Similar		JTS-Superior \$ (40,000)		Similar	
Age		New	Similar		Similar		Similar	
Condition		Good	Similar		Similar		Similar	
Room Count - Bedroom		5/4	5/4		5/3.5		5/4.5	
- Bath	\$ 1,500				\$ 1,500		\$ (1,500)	
Living Area	\$ 65	3,711	3,711 \$ -		3,600 \$ 7,215		3,692 \$ 1,235	
Functional Utility		Good	Similar		Similar		Similar	
Heating/Cooling		Central/Forced	Similar		Similar		Similar	
Energy Efficient Items		Ind. Standard	Similar		Similar		Similar	
Garage	\$ 6,500	2 Car	2 Car		3 Car \$ (6,500)		3 Car \$ (6,500)	
Landscaping		Front	Similar		Similar		Similar	
Pool/Spa		None	Similar		Similar		Similar	
Patios/Decks		None	Similar		Similar		Similar	
Fencing		Side/rear	Similar		Similar		Similar	
Fireplace(s)		Yes, One	Similar		Similar		Similar	
Kitchen Equipment		RO, DW, MW	Similar		Similar		Similar	
Other		None						
Other		None						
Net Adjustments			\$ 15,150		\$ (14,024)		\$ 8,385	
Gross Adjustments								
Indicated Base Value			\$ 430,100		\$ 454,985		\$ 443,335	
Indicated Base Value PSF			\$ 116		\$ 123		\$ 119	

	PSF		RANGE
Minimum Indicated Value	\$ 430,100	\$ 116	
Maximum Indicated Value	\$ 454,985	\$ 123	
Average Indicated Value	\$ 442,807	\$ 119	
Median Indicated Value	\$ 443,335	\$ 119	
Concluded Value	\$ 430,000	\$ 116	

RO = Range and oven

DW = Dishwasher

MW = Microwave

Winncrest @ Saratoga (4262)			SALES COMPARISON APPROACH					
ITEM	Adjust.	Subject Property	Comparable No. 1		Comparable No. 2		Comparable No. 3	
Project Name		Stoneridge	Winncrest @ Saratoga		Ashley Woods by Centex Homes		Granite Bay Series by JTS	
Plan		The Monterey	The Monterey - 4262		The Sequoia II		Plan 4250	
Address or Lot/Tract		Base Lot	Listing		201 Ravenwood Court		1836 Grazzini Way	
City		Roseville	Roseville		Granite Bay		Roseville	
Proximity to Subject		Subject Property	Subject		2 miles SE		1 mile SW	
Price		N/Ap.		\$ 449,950		\$ 569,200		\$ 592,270
Price/Living Area		N/Ap.		\$ 105.57		\$ 137.22		\$ 139.36
Data Source		N/Ap.	Sales Office		Sales Office		Sales Office	
ADJUSTMENTS			Description	+ / (-)	Description	+ / (-)	Description	+ / (-)
Incentives		None	None		None		None	
			Upgrades	\$ -	Upgrades	\$ (86,450)	Upgrades	\$ (105,261)
Cash Equivalent Price				\$ 449,950		\$ 482,750		\$ 487,009
Sold/Closed		N/Ap.	Listing		Closed		Pending	
Date of Sale		N/Ap.			11/16/00		1/1/01	
Closed/Escrow/Listing		N/Ap.	6/25/01		5/31/01			
Phase Adjustment		N/Ap.		\$ -		\$ 39,450		\$ 27,891
Project Location		Stoneridge	Subject		Granite Bay	\$ (25,000)	Olympus Pt.	
Tax/Sp. Assessm		Special Asmts.	Special Asmts.	\$ 15,150	None	\$ -	Special Asmts.	\$ 17,657
Leasehold/Fee Simple		Fee Simple	Same		Similar		Similar	
HOA/month		\$ -	\$ -		\$ 77		\$ -	
Common Facilities		Master Facilities	Subject		Similar		Similar	
Density, (if attached)								
Lot Size - Min.	\$ 3.50	7,150	7,150	\$ -	17,924	\$ (37,709)	9,380	\$ (7,805)
View		None	None		None		None	
Site Influence		Base	Similar		Similar		Similar	
Design & Appeal		2 Story	2 Story		2 Story		2 Story	
Quality of Construction		Average	Similar		Similar		JTS-Superior	\$ (40,000)
Age		New	Similar		Similar		Similar	
Condition		Good	Similar		Similar		Similar	
Room Count -Bedroom		5/4	5/4		4/4.5		5/4.5	
- Bath	\$ 1,500					\$ (1,500)		\$ (1,500)
Living Area	\$ 65	4,262	4,262	\$ -	4,148	\$ 7,410	4,250	\$ 780
Functional Utility		Good	Similar		Similar		Similar	
Heating/Cooling		Central/Forced	Similar		Similar		Similar	
Energy Efficient Items		Ind. Standard	Similar		Similar		Similar	
Garage	\$ 6,500	2 Car	2 Car		3 Car	\$ (6,500)	3 Car	\$ (6,500)
Landscaping		Front	Similar		Similar		Similar	
Pool/Spa		None	Similar		Similar		Similar	
Patios/Decks		None	Similar		Similar		Similar	
Fencing		Side/rear	Similar		Similar		Similar	
Fireplace(s)		Yes, One	Similar		Similar		Similar	
Kitchen Equipment		RO, DW, MW	Similar		Similar		Similar	
Other		None						
Other		None						
Net Adjustments				\$ 15,150		\$ (23,849)		\$ (9,477)
Gross Adjustments								
Indicated Base Value				\$ 465,100		\$ 458,901		\$ 477,532
Indicated Base Value PSF				\$ 109		\$ 108		\$ 112

	PSF		RANGE
Minimum Indicated Value	\$ 458,901	\$ 108	
Maximum Indicated Value	\$ 477,532	\$ 112	
Average Indicated Value	\$ 467,178	\$ 110	
Median Indicated Value	\$ 465,100	\$ 109	
Concluded Value	\$ 465,000	\$ 109	

RO = Range and oven

DW = Dishwasher

MW = Microwave

Renaissance - The Marbella (3267)
SALES COMPARISON APPROACH

ITEM	Adjust.	Subject Property	Comparable No. 1		Comparable No. 2		Comparable No. 3	
Project Name		Stoneridge	Renaissance at Stoneridge		Ashley Woods by Centex Homes		Renaissance at Stoneridge	
Plan		The Marbella	Plan 3267		Plan 3217		Plan 3487	
Address or Lot/Tract		Base Lot	1536 Grey Owl Circle		471 Lockridge Court		Listing	
City		Roseville	Roseville		Granite Bay		Roseville	
Proximity to Subject		Subject Property	Subject		2 miles SE		Subject	
Price		N/Ap.	\$ 418,515		\$ 431,750		\$ 412,950	
Price/Living Area		N/Ap.	\$ 128.10		\$ 134.21		\$ 118.43	
Data Source		N/Ap.	Sales Office		Sales Office		Sales Office	
ADJUSTMENTS			Description +/-		Description +/-		Description +/-	
Incentives		None	None		None		None	
		Upgrades	\$ (18,565)		\$ -		Upgrades	
Cash Equivalent Price			\$ 399,950		\$ 431,750		\$ 412,950	
Sold/Closed		N/Ap.	Pending		Pending		Listing	
Date of Sale		N/Ap.	5/20/01		2/10/01		6/25/01	
Closed/Escrow/Listing		N/Ap.						
Phase Adjustment		N/Ap.	\$ -		\$ 23,000		\$ -	
Project Location		Stoneridge	Subject		Granite Bay		Subject	
Tax/Sp. Assessm		Special Asmts.	Special Asmts. \$ 15,150		None		Special Asmts. \$ 15,150	
Leasehold/Fee Simple		Fee Simple	Similar		Similar		Similar	
HOA/month		\$ -	\$ -		\$ 77		\$ -	
Common Facilities		Master Facilities	Similar		Similar		Similar	
Density, (if attached)								
Lot Size - Min.	\$ 3.50	7,150	7,150 \$ -		15,466 \$ (29,106)		7,150 \$ -	
View		None	None		None		None	
Site Influence		Base	Similar		Similar		Similar	
Design & Appeal		2 Story	2 Story		1 Story		2 Story	
Quality of Construction		Average	Similar		Similar		Similar	
Age		New	Similar		Similar		Similar	
Condition		Good	Similar		Similar		Similar	
Room Count -Bedroom		5/3	5/3		4/3		5/3.5	
- Bath	\$ 1,500							
Living Area	\$ 65	3,267	3,267 \$ -		3,217 \$ 3,250		3,487 \$ (1,500)	
Functional Utility		Good	Similar		Similar		Similar	
Heating/Cooling		Central/Forced	Similar		Similar		Similar	
Energy Efficient Items		Ind. Standard	Similar		Similar		Similar	
Garage	\$ 6,500	3 Car	3 Car		3 Car		3 Car	
Landscaping		Front	Similar		Similar		Similar	
Pool/Spa		None	Similar		Similar		Similar	
Patios/Decks		None	Similar		Similar		Similar	
Fencing		Side/rear	Similar		Similar		Similar	
Fireplace(s)		Yes, One	Similar		Similar		Similar	
Kitchen Equipment		RO, DW, MW	Similar		Similar		Similar	
Other		None						
Other		None						
Net Adjustments			\$ 15,150		\$ (27,856)		\$ (650)	
Gross Adjustments								
Indicated Base Value			\$ 415,100		\$ 403,894		\$ 412,300	
Indicated Base Value PSF			\$ 127		\$ 124		\$ 126	

	PSF		RANGE
Minimum Indicated Value	\$ 403,894	\$ 124	
Maximum Indicated Value	\$ 415,100	\$ 127	
Average Indicated Value	\$ 410,431	\$ 126	
Median Indicated Value	\$ 412,300	\$ 126	
Concluded Value	\$ 415,000	\$ 127	

RO = Range and oven

DW = Dishwasher

MW = Microwave

Renaissance - The Palmera (3487)			SALES COMPARISON APPROACH					
ITEM	Adjust.	Subject Property	Comparable No. 1		Comparable No. 2		Comparable No. 3	
Project Name		Stoneridge	Renaissance at Stoneridge		Renaissance at Stoneridge		Ashley Woods by Centex Homes	
Plan		The Palmera	Plan 3487		Plan 3692		Plan 3485	
Address or Lot/Tract		Base Lot	Listing		1528 Grey Owl Circle		221 Ravenwood Court	
City		Roseville	Roseville		Roseville		Granite Bay	
Proximity to Subject		Subject Property	Subject		Subject		2 miles SE	
Price		N/Ap.		\$ 412,950		\$ 440,295		\$ 544,011
Price/Living Area		N/Ap.		\$ 118.43		\$ 119.26		\$ 156.10
Data Source		N/Ap.	Sales Office		Sales Office		Sales Office	
ADJUSTMENTS			Description +/-		Description +/-		Description +/-	
Incentives		None	None		None		None	
		Upgrades			Upgrades	\$ (5,345)	Upgrades	\$ (36,811)
Cash Equivalent Price				\$ 412,950		\$ 434,950		\$ 507,200
Sold/Closed		N/Ap.	Listing		Pending		Pending	
Date of Sale		N/Ap.			5/26/01		1/13/01	
Closed/Escrow/Listing		N/Ap.	6/25/01					
Phase Adjustment		N/Ap.		\$ -		\$ -		\$ 25,000
Project Location		Stoneridge	Subject		Subject		Granite Bay	\$ (25,000)
Tax/Sp. Assessm		Special Asmts.	Special Asmts.	\$ 15,150	Special Asmts.	\$ 15,150	None	\$ -
Leasehold/Fee Simple		Fee Simple	Similar		Similar		Similar	
HOA/month		\$ -	\$ -		\$ -		\$ 77	
Common Facilities		Master Facilities	Similar		Similar		Similar	
Density, (if attached)								
Lot Size - Min.	\$ 3.50	7,150	7,150	\$ -	7,150	\$ -	16,304	\$ (32,039)
View		None	None		None		None	
Site Influence		Base	Similar		Similar		Superior	\$ (35,000)
Design & Appeal		2 Story	2 Story		2 Story		2 Story	
Quality of Construction		Average	Similar		Similar		Similar	
Age		New	Similar		Similar		Similar	
Condition		Good	Similar		Similar		Similar	
Room Count - Bedroom		5/3.5	5/3.5		5/4.5		4/3	
- Bath	\$ 1,500					\$ (3,000)		\$ 1,500
Living Area	\$ 65	3,487	3,487	\$ -	3,692	\$ (13,325)	3,485	\$ -
Functional Utility		Good	Similar		Similar		Similar	
Heating/Cooling		Central/Forced	Similar		Similar		Similar	
Energy Efficient Items		Ind. Standard	Similar		Similar		Similar	
Garage	\$ 6,500	3 Car	3 Car		3 Car		3 Car	
Landscaping		Front	Similar		Similar		Similar	
Pool/Spa		None	Similar		Similar		Similar	
Patios/Decks		None	Similar		Similar		Similar	
Fencing		Side/rear	Similar		Similar		Similar	
Fireplace(s)		Yes, One	Similar		Similar		Similar	
Kitchen Equipment		RO, DW, MW	Similar		Similar		Similar	
Other		None						
Other		None						
Net Adjustments				\$ 15,150		\$ (1,175)		\$ (65,539)
Gross Adjustments								
Indicated Base Value				\$ 428,100		\$ 433,775		\$ 441,661
Indicated Base Value PSF				\$ 123		\$ 124		\$ 127

	PSF		RANGE
Minimum Indicated Value	\$ 428,100	\$ 123	
Maximum Indicated Value	\$ 441,661	\$ 127	
Average Indicated Value	\$ 434,512	\$ 125	
Median Indicated Value	\$ 433,775	\$ 124	
Concluded Value	\$ 430,000	\$ 123	

RO = Range and oven
DW = Dishwasher
MW = Microwave

Renaissance - The Monaco (4093)
SALES COMPARISON APPROACH

ITEM	Adjust.	Subject Property	Comparable No. 1		Comparable No. 2		Comparable No. 3	
Project Name		Stoneridge	Renaissance at Stoneridge		Ashley Woods by Centex Homes		Granite Bay Series by JTS	
Plan		The Monaco	Plan 4093		The Sequoia II (4148)		The Alder (3950)	
Address or Lot/Tract		Base Lot	Listing		201 Ravenwood Court		1753 Orrietto Drive	
City		Roseville	Roseville		Granite Bay		Roseville	
Proximity to Subject		Subject Property	Subject		2 miles SE		1 mile SW	
Price		N/Ap.	\$ 448,950		\$ 569,200		\$ 551,009	
Price/Living Area		N/Ap.	\$ 109.69		\$ 137.22		\$ 139.50	
Data Source		N/Ap.	Sales Office		Sales Office		Sales Office	
ADJUSTMENTS			Description +/-		Description +/-		Description +/-	
Incentives		None	None		None		None	
			Upgrades		\$ (86,450)		Upgrades \$ (74,000)	
Cash Equivalent Price			\$ 448,950		\$ 482,750		\$ 477,009	
Sold/Closed		N/Ap.	Listing		Closed		Closed	
Date of Sale		N/Ap.			11/16/00		5/1/01	
Closed/Escrow/Listing		N/Ap.	6/25/01		5/31/01		6/5/01	
Phase Adjustment		N/Ap.	\$ -		\$ 39,450		\$ 8,891	
Project Location		Stoneridge	Subject		Granite Bay		Olympus Pt.	
Tax/Sp. Assessm		Special Asmts.	\$ 15,150		\$ -		Special Asmts. \$ 17,657	
Leasehold/Fee Simple		Fee Simple	Similar		Similar		Similar	
HOA/month		\$ -	\$ -		\$ 77		\$ -	
Common Facilities		Master Facilities	Similar		Similar		Similar	
Density, (if attached)								
Lot Size - Min.	\$ 3.50	7,150	7,150 \$ -		17,924 \$ (37,709)		8,667 \$ (5,310)	
View		None	None		None		None	
Site Influence		Base	Similar		Similar		Similar	
Design & Appeal		2 Story	2 Story		2 Story		2 Story	
Quality of Construction		Average	Similar		Similar		JTS-Superior \$ (40,000)	
Age		New	Similar		Similar		Similar	
Condition		Good	Similar		Similar		Similar	
Room Count -Bedroom		6/4.5	6/4.5		4/4.5		5/3.5	
- Bath	\$ 1,500						\$ 3,000	
Living Area	\$ 65	4,093	4,093 \$ -		4,148 \$ (3,575)		3,950 \$ 9,295	
Functional Utility		Good	Similar		Similar		Similar	
Heating/Cooling		Central/Forced	Similar		Similar		Similar	
Energy Efficient Items		Ind. Standard	Similar		Similar		Similar	
Garage	\$ 6,500	2 Car	2 Car		3 Car \$ (6,500)		3 Car \$ (6,500)	
Landscaping		Front	Similar		Similar		Similar	
Pool/Spa		None	Similar		Similar		Similar	
Patios/Decks		None	Similar		Similar		Similar	
Fencing		Side/rear	Similar		Similar		Similar	
Fireplace(s)		Yes, One	Similar		Similar		Similar	
Kitchen Equipment		RO, DW, MW	Similar		Similar		Similar	
Other		None						
Other		None						
Net Adjustments			\$ 15,150		\$ (33,334)		\$ (12,967)	
Gross Adjustments								
Indicated Base Value			\$ 464,100		\$ 449,416		\$ 464,042	
Indicated Base Value PSF			\$ 113		\$ 110		\$ 113	

Minimum Indicated Value
Maximum Indicated Value
Average Indicated Value
Median Indicated Value
Concluded Value

		PSF	
\$ 449,416	\$ 110		RANGE
\$ 464,100	\$ 113		
\$ 459,186	\$ 112		
\$ 464,042	\$ 113		
\$ 460,000	\$ 112		

RO = Range and oven
DW = Dishwasher
MW = Microwave

Cambria - The Montreal (2,191)			SALES COMPARISON APPROACH					
ITEM	Adjust.	Subject Property	Comparable No. 1		Comparable No. 2		Comparable No. 3	
Project Name		Stoneridge	Cambria by Winncrest		Legends by US Homes		Siena Woods by JMC Homes	
Plan		The Montreal	The Montreal - 2,191		Plan 2244		Plan 2213	
Address or Lot/Tract		Base Lot	Listing		3193 Big Bear Drive		Listing	
City		Roseville	Roseville		Roseville		Roseville	
Proximity to Subject		Subject Property	Subject		5 miles NW		5 miles NW	
Price		N/Ap.	\$ 319,950		\$ 308,210		\$ 299,990	
Price/Living Area		N/Ap.	\$ 146.03		\$ 137.35		\$ 135.56	
Data Source		N/Ap.	Sales Office		Sales Office		Sales Office	
ADJUSTMENTS			Description +/-		Description +/-		Description +/-	
Incentives		None	None		Yes		None	
			Upgrades \$ -		Upgrades \$ (18,310)		Upgrades \$ -	
Cash Equivalent Price			\$ 319,950		\$ 293,900		\$ 299,990	
Sold/Closed		N/Ap.	Listing		Pending		Listing	
Date of Sale		N/Ap.	6/25/01		1/30/01		6/25/01	
Closed/Escrow/Listing		N/Ap.	\$ -		\$ 8,000		\$ -	
Phase Adjustment		N/Ap.						
Project Location		Stoneridge	Subject		Diamond Crk.		Crocker Rnch.	
Tax/Sp. Assessm		Special Asmts.	Special Asmts. \$ 12,819		Special Asmts. \$ 20,000		Special Asmts. \$ 20,332	
Leasehold/Fee Simple		Fee Simple	Same		Similar		Similar	
HOA/month		\$ -	\$ -		\$ -		\$ 38	
Common Facilities		Master Facilities	Subject		Similar		Similar	
Density, (if attached)								
Lot Size - Min.	\$ 3.50	6,600	6,600 \$ -		11,250 \$ (16,275)		6,300 \$ 1,050	
View		None	None		None		None	
Site Influence		Base	Similar		Similar		Similar	
Design & Appeal		1 Story	1 Story		1 Story		1 Story	
Quality of Construction		Average	Similar		Similar		Similar	
Age		New	Similar		Similar		Similar	
Condition		Good	Similar		Similar		Similar	
Room Count - Bedroom		4/2	4/2		3/2		3/2	
- Bath	\$ 1,500							
Living Area	\$ 65	2,191	2,191 \$ -		2,244 \$ (3,445)		2,213 \$ (1,430)	
Functional Utility		Good	Similar		Similar		Similar	
Heating/Cooling		Central/Forced	Similar		Similar		Similar	
Energy Efficient Items		Ind. Standard	Similar		Similar		Similar	
Garage	\$ 6,500	3 Car	3 Car		3 Car		3 Car	
Landscaping		Front	Similar		Similar		Similar	
Pool/Spa		None	Similar		Similar		Similar	
Patios/Decks		None	Similar		Similar		Similar	
Fencing		Side/rear	Similar		Similar		Similar	
Fireplace(s)		Yes, One	Similar		Similar		Similar	
Kitchen Equipment		RO, DW, MW	Similar		Similar		Similar	
Other		None						
Other		None						
Net Adjustments			\$ 12,819		\$ 28,612		\$ 34,334	
Gross Adjustments								
Indicated Base Value			\$ 332,769		\$ 322,512		\$ 334,324	
Indicated Base Value PSF			\$ 152		\$ 147		\$ 153	

	PSF		RANGE
Minimum Indicated Value	\$ 322,512	\$ 147	
Maximum Indicated Value	\$ 334,324	\$ 153	
Average Indicated Value	\$ 329,868	\$ 151	
Median Indicated Value	\$ 332,769	\$ 152	
Concluded Value	\$ 330,000	\$ 151	

RO = Range and oven

DW = Dishwasher

MW = Microwave

Cambria - The Montecito II (2,892)

SALES COMPARISON APPROACH

ITEM	Adjust.	Subject Property	Comparable No. 1		Comparable No. 2		Comparable No. 3	
Project Name		Stoneridge	Cambria by Winncrest		Renaissance at Stoneridge		Granite Bay Series by JTS	
Plan		The Montecito II	The Montecito II - 2892		Plan 2956		Plan 2800	
Address or Lot/Tract		Base Lot	Listing		1536 Grey Owl Circle		1748 Grazziani Way	
City		Roseville	Roseville		Roseville		Roseville	
Proximity to Subject		Subject Property	Subject		Subject		1 mile SW	
Price		N/Ap.	\$ 357,950		\$ 418,515		\$ 445,951	
Price/Living Area		N/Ap.	\$ 123.77		\$ 141.58		\$ 159.27	
Data Source		N/Ap.	Sales Office		Sales Office		Sales Office	
ADJUSTMENTS			Description	+ / (-)	Description	+ / (-)	Description	+ / (-)
Incentives		None	None		None		None	
			Upgrades		Upgrades		Upgrades	
			\$ -		\$ (18,565)		\$ (21,501)	
Cash Equivalent Price			\$ 357,950		\$ 399,950		\$ 424,450	
Sold/Closed		N/Ap.	Listing		Pending		Pending	
Date of Sale		N/Ap.			5/20/01		2/1/01	
Closed/Escrow/Listing		N/Ap.	6/25/01					
Phase Adjustment		N/Ap.	\$ -		\$ -		\$ 24,450	
Project Location		Stoneridge	Subject		Subject		Olympus Pt.	
Tax/Sp. Assessm		Special Asmts.	Subject		Similar		Similar	
			\$ 12,819		\$ 15,150		\$ 17,657	
Leasehold/Fee Simple		Fee Simple	Same		Similar		Similar	
HOA/month		\$ -	\$ -		\$ -		\$ -	
Common Facilities		Master Facilities	Subject		Similar		Similar	
Density, (if attached)								
Lot Size - Min.	\$ 3.50	6,600	6,600		6,600		9,317	
			\$ -		\$ -		\$ (9,510)	
View		None	None		None		None	
Site Influence		Base	Similar		Similar		Similar	
Design & Appeal		2 Story	2 Story		2 Story		2 Story	
Quality of Construction		Average	Similar		Similar		JTS-Superior	
							\$ (40,000)	
Age		New	Similar		Similar		Similar	
Condition		Good	Similar		Similar		Similar	
Room Count - Bedroom		5/3	5/3		5/3		3/3.5	
- Bath	\$ 1,500						\$ (1,500)	
Living Area	\$ 65	2,892	2,892		2,956		2,800	
			\$ -		\$ (4,160)		\$ 5,980	
Functional Utility		Good	Similar		Similar		Similar	
Heating/Cooling		Central/Forced	Similar		Similar		Similar	
Energy Efficient Items		Ind. Standard	Similar		Similar		Similar	
Garage	\$ 6,500	2 Car	2 Car		3 Car		3 Car	
					\$ (6,500)		\$ (6,500)	
Landscaping		Front	Similar		Similar		Similar	
Pool/Spa		None	Similar		Similar		Similar	
Patios/Decks		None	Similar		Similar		Similar	
Fencing		Side/rear	Similar		Similar		Similar	
Fireplace(s)		Yes, One	Similar		Similar		Similar	
Kitchen Equipment		RO, DW, MW	Similar		Similar		Similar	
Other		None			Option -5th rm.		\$ (10,000)	
Other		None						
Net Adjustments			\$ 12,819		\$ (5,510)		\$ (9,423)	
Gross Adjustments								
Indicated Base Value			\$ 370,769		\$ 394,440		\$ 415,027	
Indicated Base Value PSF			\$ 128		\$ 136		\$ 144	

Minimum Indicated Value
Maximum Indicated Value
Average Indicated Value
Median Indicated Value
Concluded Value

	PSF
\$ 370,769	\$ 128
\$ 415,027	\$ 144
\$ 393,412	\$ 136
\$ 394,440	\$ 136
\$ 375,000	\$ 130

RANGE

RO = Range and over
DW = Dishwasher
MW = Microwave

Cambria - The Veranda (3179)

SALES COMPARISON APPROACH

ITEM	Adjust.	Subject Property	Comparable No. 1		Comparable No. 2		Comparable No. 3	
Project Name		Stoneridge	Cambria by Winncrest		Ashley Woods by Centex Homes		Granite Bay Series by JTS	
Plan		The Veranda	The Veranda - 3179		Plan 3217		Plan 3100	
Address or Lot/Tract		Base Lot	Listing		471 Lockridge Court		1761 Orvietto Drive	
City		Roseville	Roseville		Granite Bay		Roseville	
Proximity to Subject		Subject Property	Subject		2 miles SE		1 mile SW	
Price		N/Ap.		\$ 380,950		\$ 431,750		\$ 434,375
Price/Living Area		N/Ap.		\$ 119.83		\$ 134.21		\$ 140.12
Data Source		N/Ap.	Sales Office		Sales Office		Sales Office	
ADJUSTMENTS			Description		Description		Description	
Incentives		None	None		None		None	
			Upgrades		Upgrades		Upgrades	
			\$ -		\$ -		\$ (3,366)	
Cash Equivalent Price			\$ 380,950		\$ 431,750		\$ 431,009	
Sold/Closed		N/Ap.	Listing		Pending		Closed	
Date of Sale		N/Ap.			2/10/01		12/30/00	
Closed/Escrow/Listing		N/Ap.	6/25/01				6/8/01	
Phase Adjustment		N/Ap.	\$ -		\$ 23,000		\$ 31,891	
Project Location		Stoneridge	Subject		Granite Bay		Olympus Pt.	
Tax/Sp. Assessm		Special Asmts.	Subject		None		Similar	
Leasehold/Fee Simple		Fee Simple	Same		Similar		Similar	
HOA/month		\$ -	\$ -		\$ 77		\$ -	
Common Facilities		Master Facilities	Subject		Similar		Similar	
Density, (if attached)								
Lot Size - Min.	\$ 3.50	6,600	6,600		15,466		7,480	
View		None	None		None		None	
Site Influence		Base	Similar		Similar		Similar	
Design & Appeal		2 Story	2 Story		1 Story		2 Story	
Quality of Construction		Average	Similar		Similar		JTS-Superior	
Age		New	Similar		Similar		Similar	
Condition		Good	Similar		Similar		Similar	
Room Count -Bedroom		5/4.5	5/4.5		4/3		5/3	
- Bath	\$ 1,500				\$ 4,500		\$ 4,500	
Living Area	\$ 65	3,179	3,179		3,217		3,100	
Functional Utility		Good	Similar		Similar		Similar	
Heating/Cooling		Central/Forced	Similar		Similar		Similar	
Energy Efficient Items		Ind. Standard	Similar		Similar		Similar	
Garage	\$ 6,500	3 Car	3 Car		3 Car		3 Car	
Landscaping		Front	Similar		Similar		Similar	
Pool/Spa		None	Similar		Similar		Similar	
Patios/Decks		None	Similar		Similar		Similar	
Fencing		Side/rear	Similar		Similar		Similar	
Fireplace(s)		Yes, One	Similar		Similar		Similar	
Kitchen Equipment		RO, DW, MW	Similar		Similar		Similar	
Other		None						
Other		None						
Net Adjustments			\$ 12,819		\$ (31,001)		\$ 16,103	
Gross Adjustments								
Indicated Base Value			\$ 393,769		\$ 400,749		\$ 447,112	
Indicated Base Value PSF			\$ 124		\$ 126		\$ 141	

Minimum Indicated Value	\$ 393,769	\$ 124
Maximum Indicated Value	\$ 447,112	\$ 141
Average Indicated Value	\$ 413,877	\$ 130
Median Indicated Value	\$ 400,749	\$ 126
Concluded Value	\$ 395,000	\$ 124

PSF	
\$ 393,769	\$ 124
\$ 447,112	\$ 141
\$ 413,877	\$ 130
\$ 400,749	\$ 126
\$ 395,000	\$ 124

RANGE

RO = Range and oven
DW = Dishwasher
MW = Microwave

Sales Comparison Approach - Summary of Base Value Conclusions

In our analysis of the base retail values, all of the comparables are given consideration in our concluded opinion of value.

In order to determine a value for each of the subject's floor plans, comparables from the subject's and similar projects were analyzed. We have presented three comparables for each subject plan. The comparables presented have been adjusted relative to our subject floor plans, which resulted in our estimation of value. Our adjustments resulted in a relatively tight range of value per square foot for each plan analyzed. For the reader's reference, our conclusions of value for each of the subject's floor plans is presented in the table below.

SALES COMPARISON APPROACH –VALUE CONCLUSIONS			
Winncrest Classics Floor Plans	Adjusted Value Range PSF	Value Factor PSF	Concluded Value
2,593 SF	\$144 - \$155	\$145	\$375,000
3,711 SF	\$116 - \$123	\$116	\$430,000
4,262 SF	\$108 - \$112	\$109	\$465,000
Renaissance Collection Floor Plans	Adjusted Value Range PSF	Value Factor PSF	Concluded Value
3,267	\$124 - \$127	\$127	\$415,000
3,487	\$123 - \$127	\$123	\$430,000
4,093	\$110 - \$113	\$112	\$460,000
Cambria Floor Plans	Adjusted Value Range PSF	Value Factor PSF	Concluded Value
2,191 SF	\$147 - \$153	\$151	\$330,000
2,892 SF	\$128 - \$144	\$130	\$375,000
3,179 SF	\$124 - \$141	\$124	\$395,000

The cost and sales comparison approaches to value reflect the following estimates of value for the subject floor plans analyzed in this analysis:

Subdivision/Floor Plan	Cost Approach		Sales Comparison Approach	
	Value Conclusion PSF	Total Value Conclusion	Value Conclusion PSF	Total Value Conclusion
Winncrest Classics				
2,593 SF	\$133	\$344,000	\$145	\$375,000
3,711 SF	\$116	\$429,000	\$116	\$430,000
4,262 SF	\$106	\$452,000	\$109	\$465,000
Renaissance Collection				
3,267 SF	\$121	\$395,000	\$127	\$415,000
3,487 SF	\$118	\$412,000	\$123	\$430,000
4,093 SF	\$108	\$440,000	\$112	\$460,000
Cambria				
2,191 SF	\$146	\$320,000	\$151	\$330,000
2,892 SF	\$125	\$361,000	\$130	\$375,000
3,179 SF	\$120	\$344,000	\$124	\$395,000

Our conclusions of value from both the cost and sales comparison approaches exhibit a relatively narrow range. Most consideration is given to the Sales Comparison approach since this technique is believed to most accurately reflect the market for single family residences in the subject property's market area. Based on the preceding analysis our estimate of value (by floor plan and in aggregate), as if complete, is presented as follows:

VALUE CONCLUSIONS		
Winncrest Classics Floor Plans	Value Factor PSF	Concluded Value
2,593 SF	\$145	\$375,000
3,711 SF	\$116	\$430,000
4,262 SF	\$109	\$465,000
Renaissance Collection Floor Plans		
3,267	\$127	\$415,000
3,487	\$123	\$430,000
4,093	\$112	\$460,000
Cambria Floor Plans		
2,191 SF	\$151	\$330,000
2,892 SF	\$130	\$375,000
3,179 SF	\$124	\$395,000
Aggregate Value		\$3,675,000

SUBDIVISION DEVELOPMENT METHOD

Introduction

This portion of our analysis is concerned with estimating the bulk market value of the subject properties according to the ownership. As previously indicated, these estimates of value will assume the primary infrastructure to be funded with the issuance of the Community Facilities District No. 1 is complete.

The best way to derive this value is to employ the subdivision development method to value.

The subdivision development method is defined as follows:

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 of the finished lots; 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 value of the raw land.¹³

We will employ a discounted cash flow analysis to value the subject properties under the subdivision development method. The four main components of our discounted cash flow analysis are listed as follows:

- **Revenue** - the total gross income of the various components is derived in this section.
- **Absorption Analysis** - the time frame required to sell-off the land components. 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 the sell-off are calculated in this section - including administration, marketing and commission costs, as well as taxes, special tax payments, and the development costs that will not be funded by the bond issuance.
- **Discount Rate** - the appropriate discount rate is derived in this portion of the analysis employing a variety of market data.

Our discussion of these four components begins below, with our discounted cash flow analysis offered at the end of this section.

¹⁴The Dictionary of Real Estate Appraisal, 3rd ed. (Chicago: Appraisal Institute, 1993) 354.

Revenue

The revenue components will be generated by the sale of improved and unimproved residential lots and those homes that have met the threshold of construction completion. In the following analysis we will utilize the lot values that were previously concluded in the bulk improved lot sales comparison section of our report. These lot values, combined with the model home values, will lead to an aggregate estimate of value for each of the subject's components, by ownership. The cited aggregate values will then be integrated with the discounted cash flow analysis to reflect the bulk, or wholesale value of the subject, by ownership interest. For the reader's reference we have reiterated our value conclusions below:

SUMMARY OF SUBJECTS PARCELS				
Stoneridge West: CFD No. 1				
Lennar Communities				
Roseville, California				
Village	No. of Lots	Typical Lot Size	Lot Value	Aggregate Village Value
1	164	7,150	\$110,500	\$18,122,000
2	101	6,600	\$105,500	\$10,655,500
5	94	10,000	\$135,500	\$12,737,000
6	126	10,000	\$135,500	\$17,073,000
Model Homes	9			\$3,675,000
Total:	494			\$62,262,500
ROUNDED				\$62,260,000
AKT Development				
Roseville, California				
Village	No. of Lots	Typical Lot Size	Lot Value	Aggregate Village Value
4	99	14,867	\$135,000	\$13,365,000
Parcel 28	62	7,500	\$60,000	\$3,720,000
Total:	161			\$17,085,000
ROUNDED				\$17,085,000
Meritage Homes				
Roseville, California				
Village	No. of Lots	Typical Lot Size	Lot Value	Aggregate Village Value
3	72	10,800	\$140,500	\$10,116,000
Total:	72			\$10,116,000
ROUNDED				\$10,115,000

As previously discussed, these estimates of value are inclusive of current and anticipated bond indebtedness.

Reimbursement From Fees – (AKT Development)

Due to the amount of “oversized” or “regional improvements” that will be constructed, the master developer (AKT) will be entitled to future reimbursements that will be paid upon the collection of the roadway impact fees. It is estimated that the reimbursements from fees will total \$7,492,500, and will be payable to AKT Development upon completion of the applicable residences. This estimate is based on documentation provided by Economic & Planning Systems (Figure 1 Stoneridge Specific Plan, Stoneridge Costs and Construction Spreads). A Copy of this document is included in the Addenda to this report. Based on the proposed prepayment of roadway impact fees for Villages 1, 2, 3, 5 and 6 (566 lots), via the bond proceeds, we have projected that a total of \$2,037,600 will be reimbursed in year one of the absorption period. Considering the market acceptance of new housing product in the subject's submarket, as well as the future development of multi-family and commercial properties in the Stoneridge West development, we have estimated a four-year reimbursement period for the remaining eligible reimbursements. As such, we have spread \$5,454,900 (\$7,492,500 - \$2,037,600) in reimbursements over years 2 through 5 of the analysis.

AKT Development, as the master developer of Stoneridge West, is the only entity scheduled to receive reimbursements for roadway improvements completed in the development.

Absorption Analysis

In this section of the report, we will discuss the absorption period (time), appreciation factor and summarize the annual disposition of the revenue components.

Absorption Period

In attempting to estimate the marketing time, which would be required for the disposition of the land components, 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 in a 3 to 12 month time frame.

In developing an estimate of the absorption period for the subject, 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 impossible to accurately forecast and project specific demand over a projected absorption period.

Although five of the seven villages that comprise Stoneridge West have already been subdivided and sold from the master developer (AKT Development), we are basing our estimate of value upon the premise that each current owner would sell-off their inventory of parcels. As such, this analysis assumes that each subject parcel will be sold to other homebuilders active in the region.

There are many examples of the market demand for new home developments throughout the Sacramento region. The first indication of market conditions is the subject itself. In the Stoneridge West project, the master developer (AKT) was able to sell five of the seven villages approximately 2 years prior to being able to "bring them on line" as finished residential lots. The master developer has sold or has under contract to sell, 665 lots in the Stoneridge West development.

Further support for the strong market demand is reflected within a master planned community in the southern portion of Sacramento County, known as Stonelake. Recently, all thirteen of the development's villages totaling 1,450 units were sold to various homebuilders.

Additionally, similar success was experienced within the Bridgeway Island development in West Sacramento. This project offers approximately 1,590 residential lots. Eight of the ten villages were released and sold within 6 months of the release date. The remaining lots, which came to the market approximately 12 months later, sold immediately upon release to the market.

The subject will have to compete with the lots situated within the adjacent development, which is known as Stoneridge East. This project is being developed by H.C. Elliot homes, and will feature a wide spectrum of product type, ranging from smaller sized patio homes situated on 3,000 square foot parcels up to semi-custom homes on lots over 14,000 square feet in size. Due to the multiple product types anticipated on the various lot sizes, it is our opinion that there will not be an over supply of any single product type, and the demand in the market place could absorb the subject lots as well as the product offered in the adjacent Stoneridge East development.

Considering the information presented above, we have concluded that an absorption period for each of the ownership interests as follows:

Lennar Communities, Villages 1, 2, 5 and 6: Two years to achieve sell-out, under the assumption that the multiple subdivisions would be sold to various homebuilders.

AKT Development, Village 4a, 4b and Parcel 28: Two years to achieve sell-out, under the assumption that the multiple subdivisions would be sold to various homebuilders. This disposition schedule considers the physical condition of Parcel 28.

Annual Appreciation

As discussed throughout this report, the market for residential land in the Sacramento Metropolitan Area is strong. The activity over the past three years is at levels not experienced in many years. Consequently, it is also reasonable that as the area develops, and commercial services become more readily available, the central Roseville location will continue to enjoy upward movement in prices. To account for the potential of future increases, we will apply an annual increase at the rate of 4% per year.

Expenses

Marketing Costs/Commissions/Closing Costs/Administrative

Commissions and closing costs relative to the disposition of the subject's lots are estimated at 4% of the total retail value. Although this rate is somewhat negotiable, it is considered to be consistent with current industry trends, and includes closing costs.

Administrative Expense - This expense category covers the various administrative costs associated with managing the overall development. This would include 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.

Thus, we have included an allowance of 6% for marketing costs, commissions, closing costs, and administrative expenses.

Interim Ad Valorem Taxes and Assessments

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 (1.00%). The taxes are anticipated to increase 2.0% annually. As the parcels are sold off, the average tax liability is estimated and then applied to the unsold inventory.

Mello-Roos Community Facilities District (Community Facilities District)

Economic and Planning Systems (EPS) has provided a schedule of the projected annual debt service for the subject properties. This schedule will be used in the following discounted cash flow analysis. Similar to our discussion above regarding ad valorem real estate taxes, as the parcels are sold off, the average annual debt service is estimated and then applied to the unsold inventory.

We have also considered that the first year's special tax payments will be paid through the financing program, via the interest reserve retained at issuance.

Off-Tract Development

According to EPS documentation referenced previously, the total eligible construction costs for the Stoneridge West CFD No. 1 primary infrastructure is \$16,874,516. However, only \$10,019,000 of this total is to be financed by the construction fund balance associated with the Stoneridge West CFD No. 1. Based on the cost and construction fund estimates provided for this analysis, the developer is responsible for the remaining costs (\$6,855,516). Reportedly, all of the infrastructure work associated with the project is now complete. It should be noted that there are some final infrastructure improvements that are fully reimbursable by the City of Roseville which are not yet complete. Considering the reimbursement agreement between the developer and the city we have not reflected the cost to complete these infrastructure items in this analysis (see Extraordinary Assumptions section of this report). Therefore, in the following analysis there will be no deductions for primary infrastructure development costs.

On-Site Development

Four of the seven villages that comprise Stoneridge West have completed all on-site improvements. Of the remaining three villages, two villages relate to the land areas owned by AKT Development. The third village is owned by Lennar Communities. We have delineated the cost to complete the on-site work for both the land areas owned by Lennar Communities, as well as those Villages owned by AKT Development.

As stated in the Extraordinary Assumptions and Limiting Conditions section this report, only 87 of the 104 lots proposed for Village 2 were final mapped and improved. The problem associated with the remaining 17 lots is currently being addressed and finalization of these lots and their subsequent completion as fully improved lots is anticipated. Based on the development costs reported for the lots in Village 4 (\$54,000/lot) we have projected that the 17 unimproved lots in Village 2 could be completed at an average cost of \$54,000 per lot. Based on the information cited here, we have projected the cost to complete the Village 2 lots as follows:

LENNAR COMMUNITIES ON-SITE IMPROVEMENT COSTS	
Village	2
No. of Lots	17
Total Costs per lot	\$54,000
Total Costs	\$918,000
% Complete	0%
% Remaining	100%
On-Site Cost Remaining	\$918,000

The cost remaining to complete the on-site improvements for Village 2 total \$918,000. For use in this analysis, we have rounded the number to \$920,000. These costs will be incurred within the next 6-12 months, and as such, we have deducted this expense in year 1 of the analysis.

As indicated above, the final two villages, which are incomplete at this time, are owned by the master developer (AKT Development). We have valued Parcel 28 as unimproved lots. Thus, no deductions for the completion of on-site work are required for this component of the project. In contrast, Village 4 was valued as if all on-site improvements were completed. Thus, the cost to complete the remaining on-site improvements must be subtracted in this analysis. The on-site work for Village 4 is being completed in staggered stages. Accordingly we have estimated to the costs to complete the on-site work as two components. The total cost to complete the remaining on-site improvement within Village 4 is calculated as follows:

AKT DEVELOPMENT ON-SITE IMPROVEMENT COSTS		
Village	4a	4b
No. of Lots	34	65
Total Costs per lot	\$54,000	\$54,000
Total Costs per village	\$1,836,000	\$3,510,000
% Complete	70%	30%
% Remaining	30%	70%
On-Site Cost Remaining	\$550,800	\$2,457,000

Thus, in total, the cost remaining to complete the on-site improvements for Village 4a and 4b total \$3,007,800. For use in this analysis, we have rounded the number to \$3,010,000. These costs will be incurred within the next 6-12 months, and as such, we have deducted this expense in year 1 of the analysis.

Discount Rate

According to a leading publication within the appraisal industry, The Korpacz Real Estate Investor Survey¹⁴, discount rates for land development range from 11.00% to 20.00%, with an average of 15.25%. 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. Furthermore, 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 are inclusive of the developer's profit projection.

The discount rates are based on a survey that includes residential, office, retail, and industrial land developments. Participants in the survey indicate the highest expected returns are on large-scale,

¹⁴The Real Estate Investor Survey, Peter F. Korpacz and Associates, Fourth Quarter, 2000, Volume 13, Number 4.

unapproved developments. The low end of the range was extracted from projects where certain development risks had been lessened or eliminated. Several respondents indicate that they expect slightly lower returns when approvals/entitlements are already in place.

The subject properties are considered to exhibit a minimum degree of risk, due to the positive attributes of the subject including: 1) the subject having all entitlements in place, 2) the strong market acceptance exhibited by other master planned communities in the area and 3) the forecasts for strong population and employment growth for the immediate area. All of these factors tend to lessen the perceived risk of the subject project.

Based on the specifics of the subject's project, that have been discussed throughout the report, we have concluded an appropriate discount rate consistent with the median rate reflected by the survey respondents. Thus, for this development we have utilized a discount factor of 15% in this analysis.

Conclusion

After deriving the four components of the subdivision development approach, our discounted cash flow and value conclusions are offered on the following pages. The first analysis considers the land area under ownership of Lennar Communities, and the second analysis provides an estimate of value for the parcels currently under ownership of AKT Development.

A subdivision development analysis is not applicable for the holdings of Meritage Homes, the owner of a single village (#3). It is not necessary to discount for a potential sell-off of their holdings, as the previously estimated market value reflects the "bulk" value, assuming all 72 residential lots are sold in a single transaction.

DISCOUNTED CASH FLOW ANALYSIS

Stoneridge West: CFD No. 1 - Lennar Communities

Roseville, California
June, 2001

Assumptions:

	No. of Lots	Aggregate Value	Average Lot Value	
Single Family Residential (SFR)	485	\$ 58,585,000	\$ 120,794	Annual Appreciation 4%
Model Homes	9	\$ 3,675,000		Marketing Costs 4%
Reimbursements from Fees:				Administrative Expense 2%
Totals	494	\$ 62,260,000		Annual Taxes (per lot) \$906
				Annual Taxes (per dwelling) \$3,063
				Development Costs (Off-Tract) \$0
				In-Tract Development Costs \$920,000
				Average CFD Assessment/Lot: \$1,347
				Discount Rate (IRR) 15.0%

Income and Expense Analysis:

	Year	1	2	3	4	5	Total
Initiation Factor:		1,000	1,040	1,082	1,125	1,170	
Sales - Single Family Residential:		252	242	0	0	0	
Inventory (Remaining SFR lots):		242	0	0	0	0	
Sales Revenue							
SFR Lots	\$	30,440,041	\$ 30,401,387	\$ -	\$ -	\$ -	
Model Homes	\$	3,675,000					
Reimbursement from Fees	\$	-	\$ -	\$ -	\$ -	\$ -	
Total Sales Revenue	\$	34,115,041	\$ 30,401,387	\$ -	\$ -	\$ -	
Expenses							
Administrative	\$	(682,301)	\$ (608,028)	\$ -	\$ -	\$ -	
Marketing/Commissions	\$	(1,364,602)	\$ (1,216,055)	\$ -	\$ -	\$ -	
Real Estate Taxes	\$	(475,104)	\$ (219,241)	\$ -	\$ -	\$ -	
CFD Assessments	\$	(665,418)	\$ (325,974)	\$ -	\$ -	\$ -	
Infrastructure (Off-tract)	\$	-	\$ -	\$ -	\$ -	\$ -	
In-tract development	\$	(920,000)	\$ -	\$ -	\$ -	\$ -	
Total Expenses	\$	(4,107,424)	\$ (2,369,298)	\$ -	\$ -	\$ -	
NET INCOME	\$	30,007,617	\$ 28,032,089	\$ -	\$ -	\$ -	
Present Value Factor at 15%		0.86957	0.75614	0.65752	0.57175	0.49718	
Discounted Cash Flow	\$	26,093,580	\$ 21,196,287	\$ -	\$ -	\$ -	
Net Present Value	\$	47,289,867					

CONCLUSION OF VALUE BY DISCOUNTED CASH FLOW ANALYSIS (RD)

\$ 47,290,000

DISCOUNTED CASH FLOW ANALYSIS

Stoneridge West: CFD No. 1 - AKT Development

Roseville, California
June, 2001

Assumptions:

	No. of Lots	Aggregate Value	Average Lot Value		
Finished SFR Lots:	99	\$ 13,365,000	\$ 135,000	Annual Appreciation	4%
Tentative Paper SFR Lots:	62	\$ 3,720,000	\$ 60,000	Marketing Costs	4%
Total Aggregate Retail Value:	161	\$ 17,085,000	\$ 106,118	Administrative Expense	2%
Reimbursements from Fees:		\$ 7,492,500		Annual Taxes (per finished lot)	\$1,013
Total Revenues:		\$ 24,577,500		Annual Taxes (per paper lot)	\$450
				Development Costs (Off-Tract)	\$0
				In-Tract Development	\$3,010,000
				Average CFD Assessment/Lot:	\$1,530
				Discount Rate (IRR)	15.0%

Income and Expense Analysis:

	Year	1	2	3	4	5	Total
Inflation Factor:		1.000	1.040	1.082	1.125	1.170	
Sales - Single Family Residential:		99	62	0	0	0	
Inventory (Remaining SFR lots):		62	0	0	0	0	
Sales Revenue		\$ 13,365,000	\$ -	\$ -	\$ -	\$ -	
SFR Finished Lots		\$ -	\$ 3,868,800	\$ -	\$ -	\$ -	
SFR Paper Lots		\$ 2,037,600	\$ 1,363,725	\$ 1,363,725	\$ 1,363,725	\$ 1,363,725	
Reimbursement from Fees							
Total Sales Revenue		\$ 15,402,600	\$ 5,232,525	\$ 1,363,725	\$ 1,363,725	\$ 1,363,725	
Expenses							
Administrative		\$ (308,052)	\$ (104,651)	\$ (27,275)	\$ (27,275)	\$ (27,275)	
Marketing/Commissions		\$ (616,104)	\$ (209,301)	\$ -	\$ -	\$ -	
Real Estate Taxes		\$ (190,913)	\$ (27,900)	\$ -	\$ -	\$ -	
CFD Assessments		\$ (246,330)	\$ (94,860)	\$ -	\$ -	\$ -	
Infrastructure (Off-tract)		\$ -	\$ -	\$ -	\$ -	\$ -	
In-tract development		\$ (3,010,000)	\$ -	\$ -	\$ -	\$ -	
Total Expenses		\$ (4,371,399)	\$ (436,712)	\$ (27,275)	\$ (27,275)	\$ (27,275)	
NET INCOME		\$ 11,031,202	\$ 4,795,814	\$ 1,336,451	\$ 1,336,451	\$ 1,336,451	
Present Value Factor at 15%		0.86957	0.75614	0.65752	0.57175	0.49718	
Discounted Cash Flow		\$ 9,592,349	\$ 3,626,324	\$ 878,738	\$ 764,120	\$ 664,452	
Net Present Value		\$ 15,525,983					

CONCLUSION OF VALUE BY DISCOUNTED CASH FLOW ANALYSIS (RD)

\$ 15,530,000

SUMMARY AND CONCLUSION

The purpose of this appraisal has been to estimate the value (fee simple, subject to special tax and assessment liens) of the subject properties assuming the completion of the infrastructure and facilities to be funded by the Stoneridge West Community Facilities District No. 1 bond issuance.

Based on the preceding information, our final estimates of value for the subject properties are as follows:

Ownership	Villages	Bulk Value
Lennar	1, 2, 5 & 6	\$47,290,000
AKT	4 & parcel 28	\$15,530,000
Meritage	3	\$10,115,000
Total Value		\$72,935,000

APPRAISAL UPDATE REPORT

Stoneridge West
Community Facilities District No. 1
Roseville, California

PREPARED FOR

Mr. Russ Branson, Finance Director
City of Roseville
2000 Hilltop Circle
Roseville, California 95747

PREPARED BY

Seevers • Jordan • Ziegenmeyer
2220 Douglas Boulevard, Suite 220
Roseville, California 95661
Phone # (916) 782-3113
Fax # (916) 782-0482

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SEEVERS • JORDAN • ZIEGENMEYER

Real Estate Appraisal & Consultation

September 7, 2001

Mr. Russ Branson, Finance Director
City of Roseville
2000 Hilltop Circle
Roseville, California 95747

RE: Appraisal Update
Properties within Stoneridge West
Community Facilities District No. 1
Roseville, California

Dear Mr. Branson:

At your request we have analyzed the factors relative to our ability to perform an update (extension) of our original appraisal dated July 20, 2001. As an update this report incorporates all of the market data and conclusions included in that document by reference. This document may only be used in conjunction with our original appraisal.

This updated valuation is intended to comply with Advisory Opinion "AO-3" as described in the 2001 edition of the Uniform Standards of Appraisal Practice (USPAP). As defined, "an update involves a combination of incorporation by reference from an original report and description and analysis of changes in conditions between the effective date of the update and the prior report or update." Thus, as indicated above, this update can not be fully understood without reading the original report and should only be relied upon by a reader that is familiar with that document.

The reader is advised that four conditions had to have been met before this update assignment was accepted.

First the update may only involve the original appraiser/firm and client. Secondly, the time period between the effective date of the original appraisal and the effective date of the update must not be unreasonably long for the type of real estate involved. Thirdly, the real estate must not have undergone a significant change since the original report (highest and best use issue). Lastly, any changes in market conditions and the status of the subject since the original appraisal and the effective date of the update must be identified and analyzed.

This update conforms to all four requirements; we are the appraisers of the original report, the subject property has not changed in a significant way (in terms of highest and best use), and based on our investigation, an unreasonable time period has not elapsed since our original appraisal. And finally, we will in this report address the issue of changes in market conditions.

For the reader's reference we have included within this report excerpts from our original appraisal. Specifically, we have provided the definition of market value, date of value estimate, property rights appraised, valuation approaches used, and a summary conclusion of the highest and best use analysis (no change). In addition we have addressed in this report changes in market conditions and valuation factors.

Similar to our original appraisal, this analysis assumes that the infrastructure to be financed by the bond issuance are in place and available for use. The following estimates represent the market values for each ownership component, as well as the cumulative value of the properties in the district. The value estimates assume the completion of the public facilities to be financed by the Stoneridge West Community Facilities District No. 1 bond issuance and account for the impact of the lien of the Special Tax securing the Bonds. It should be noted that the value conclusions presented below are identical to the values reported our original appraisal. The purpose of this analysis has been to reaffirm the original value estimates as the "benchmark" value. Thus, the following estimates represent our "not less than" value conclusions. For the reader's reference the subject's component values and cumulative value are presented below:

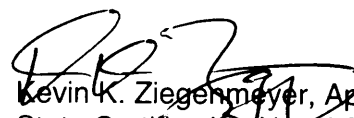
OWNERSHIP	VILLAGES	BULK VALUE
Lennar	1, 2, 5 & 6	\$47,290,000
AKT	4 & parcel 28	\$15,530,000
Meritage	3	\$10,115,000
Cumulative Value		\$72,935,000

The subject properties are in the midst of development. Many of the issues and costs surrounding development are known and are utilized in this report. The conclusions and assumptions made in this report are based on sources deemed reliable. However, a thorough reading of the original report, as well as this updated report, is necessary to understand these assumptions, the strengths and weaknesses of the analyses, the property and the value conclusion. If during the development process, any assumptions or costs change or are found to be in error, revisions to the report will be necessary and the concluded values will require revision.

We hereby certify that we have impartially considered all data collected in the investigation. Further, we have no interest in the property, the appraisal has been made in accordance with the professional standards of the Appraisal Institute.

Sincerely,


P. Richard Seevers, MAI
State Certification No. AG001723
Expires: August 12, 2002


Kevin K. Ziegenmeyer, Appraiser
State Certification No. AG013567
Expires: June 4, 2003

/nfw

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PURPOSE OF THE APPRAISAL

The purpose of this update appraisal is to estimate the cumulative value (fee simple, subject to special tax and assessment liens) of the subject properties assuming the completion of the primary infrastructure and facilities to be funded by the Stoneridge West Community Facilities District No. 1 bond issuance.

INTENDED USE OF THE APPRAISAL

It is our understanding that the report will be used by the City of Roseville for bond underwriting purposes.

CLIENT AND INTENDED USER OF THE APPRAISAL

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

PROPERTY RIGHTS APPRAISED

The estimates of value derived in this report are for the fee simple estate. The definition of this real property interest is offered 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.¹

The rights appraised are also subject to the Assumptions and Limiting Conditions 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 value estimates reflect the completion of the public facilities to be financed by bonds and account for the impact of the lien of the Special Tax securing the Bonds.

¹ The Dictionary of Real Estate Appraisal, 3rd ed. (Chicago: Appraisal Institute, 1993) 140

TYPE OF APPRAISAL AND REPORT FORMAT

As requested by the client, this report documents an update to our original complete appraisal of the subject property. The original analysis and findings were presented in a self-contained report format.

As an update, this report incorporates all of the market data and conclusions included in our original report by reference. This document may only be used in conjunction with that document.

This updated report provides only a summary overview of the property. In the remainder of this report, only selective descriptive information from our original report will be discussed. The highest and best use of the properties has not changed from our original report. The purpose of this analysis is to reaffirm the original value estimates as the "benchmark" value. Thus, the estimate of value reported herein will be based on a "not less than" value conclusion (relative to our original appraised value conclusion).

DATE OF INSPECTION

The subject properties were inspected on September 5, 2001.

EFFECTIVE DATE OF VALUE

Our analysis is concerned with the valuation of the subject properties included in Community Facilities District No. 1 (Stoneridge West), assuming completion of the primary infrastructure and facilities to be funded by the Community Facilities District. Thus, for purpose of this analysis the date of value, based on the assumed condition, is our date of inspection (September 5, 2001).

DATE OF REPORT

This report was completed and assembled on September 7, 2001.

APPRAISAL PROBLEM

Similar to our original appraisal, the purpose of this analysis is to estimate the cumulative value of the subject properties assuming the completion of the infrastructure to be funded by the Stoneridge West Community Facilities District (CFD) No. 1 issuance. The appraised properties, at the time of our original appraisal consisted of 557 detached single-family residential lots (villages 1, 2, 3, 5, and 6), 99 partially improved lots (village 4), one parcel planned for development with 62 single-family residential lots, and 9 partially completed single family residences (portions of villages 1 and 2). The Community Facilities District No.1 bond issuance, along with additional funds from the master developer, is scheduled to fund the development of these parcels. It should be noted that the 99 partially improved lots in Village 4 are further along in the development process and the subject properties now include several completed residential homes as well as additional residential units that are under construction.

The appraised properties are located west of Sierra College Boulevard, north of Olympus Drive, east of Roseville Parkway, and south of Secret Ravine Parkway. For the reader's reference, we have detailed the number of lots that comprise the subject properties in the following table.

STONERIDGE WEST RESIDENTIAL SUMMARY			
PARCEL	# UNITS	TYPICAL LOT SIZE	OWNERSHIP
Village No. 1	170	7,150	Lennar
Village No. 2	104	6,600	Lennar
Village No. 3	72	10,800	Meritage
Village No. 4	99	14,867	AKT
Village No. 5	94	10,000	Lennar
Village No. 6	126	10,000	U.S. Homes (Lennar)
Lot 28*	62	7,500	AKT
Total Units	727		

*Estimates based on proposed map

Again, similar to the original appraisal, we have been requested to provide two value estimates for the subject properties, under the assumptions and conditions cited herein.

The retail value for each land use component of the subject properties, by ownership, will be derived by utilizing the sales comparison approach to value. The subject's partially completed homes (as of our original appraisal date) will be valued as if complete by employing both the sales comparison and cost approaches to value. The retail value estimates will then be integrated into the discounted cash flow portion of the subdivision development method. This portion of the analysis will provide the bulk value (market value) for each of the subject's components, by ownership. The sum of these estimates represents the cumulative value for the properties within the CFD.

A discounted cash flow analysis will be utilized to value the ownership entities that hold title to more than one village (i.e. Lennar and AKT Development) under the subdivision development method. The four components of our discounted cash flow analysis will be 1) revenue, 2) absorption analysis, 3) expenses and 4) discount rate.

APPRAISAL PREMISE DEFINITIONS

The original appraisal, as well as this update appraisal has been made in accordance with the following definitions:

Market Value

The most probable price which 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 interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in United States 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.²

Marketing Period

1. The time it takes an interest in real property to sell on the market subsequent to the date of an appraisal.
2. Reasonable marketing time is an estimate of the amount of time it might take to sell an interest in real property at its estimated market value during the period immediately after the effective date of the appraisal; the anticipated time required to expose the property to a pool of prospective purchasers and to allow appropriate time for negotiation, the exercise of due diligence, and the consummation of a sale at a price supportable by current market conditions. Marketing time differs from exposure time, which is always presumed to precede the effective date of the appraisal.³

Exposure Time

1. The time a property remains on the market.
2. The estimated length of time the property interest being appraised 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; a retrospective estimate based upon an analysis of past events assuming a competitive and open market. Exposure time is always presumed to occur prior to the

² Federal Register, vol. 55, no. 163, August 22, 1990, 34228 and 34229

³ The Dictionary of Real estate Appraisal, 3rd ed. (Chicago: Appraisal Institute, 1993) 220

effective date of the appraisal. The overall concept of reasonable exposure encompasses not only adequate, sufficient and reasonable time but also adequate, sufficient and reasonable effort. Exposure time is different for various types of real estate and value ranges and under various market conditions.⁴

Hypothetical Value Estimate

A value that is contrary to what exists, but is supposed for the purpose of analysis.⁵

⁴ The Dictionary of Real estate Appraisal, 126

⁵ USPAP, 2000 Edition 11

EXTRAORDINARY ASSUMPTIONS AND LIMITING CONDITIONS

(For the reader's reference we have restated the Extraordinary Assumptions and Limiting Conditions presented in our original appraisal)

1. *The estimate of market value contained within this report assumes the completion of the public infrastructure improvements to be financed with the Community Facilities District No. 1 bond issuance. In summary, the improvements include roadway improvements (Secret Ravine Parkway, Alexandra Drive, East Roseville Parkway Frontage Improvements), traffic signals, drainage system improvements, water, sewer, electric, park, and additional miscellaneous improvements.*
2. *The values derived in this report are directly tied to the subdivision map and phasing of the project provided by the master developer. Any significant change in the number or size of the new parcels, or in the phasing of the project, could affect the value of the subject properties. It is assumed the subject parcel 28 will be subdivided and phased as represented by the master developer for this analysis.*
3. *The value conclusions contained in this report are based, in part, on development cost information provided by the developer. Any significant change in these costs could have a direct impact on the value estimates concluded in this report. The appraisers specifically assume that the cost information provided is accurate.*
4. *The appraised properties are located in an area that is to be encumbered by community facilities district bond obligations for the provision of infrastructure improvements. Typically, upon the sale of such a property, the outstanding bond obligations are passed through to the buyer. The estimates of value reported herein include value increments related to this bond indebtedness. In short, the value estimates reported reflect the completion of the public facilities to be financed by the bonds and account for the impact of the lien of the Special Tax securing the Bonds.*
5. *The portions of the Stoneridge West properties designated for public and quasi-public purposes are not subject to the Community Facilities District No. 1 special tax levy. Therefore, these land areas are excluded from valuation.*
6. *As of the date of the appraisal report, September 7, 2001, a subdivision plan for parcel 28 had not been finalized. However, as of this date, a preliminary plan indicates the property could potentially accommodate development of 62 single-family residential lots, with a minimum lot size of 7,500 square feet. For the purposes of this analysis, we have assumed a development of this size and configuration can be developed on the parcel.*
7. *As of our original (May 27, 2001) date of inspection, five of the subject's individual subdivisions were constructing model homes. Three of these subdivisions had completed a substantial amount of the construction work for each of the respective model complexes. In contrast, the other two subdivisions had only completed a nominal amount of construction work related to the model homes. In this analysis we will estimate the contributory value of homes that had exterior Walls and the roof structure and covering complete. The remaining construction starts, with only foundation and some minimal framing work done, were valued as improved lots only. The nominal work completed at these home sites is judged to offer minimal contributory value to the properties as a whole. It should be noted that a substantial amount of work has been completed since our original appraisal date and the date of this analysis. However, in light of the scope of work for this updated assignment (to derive a not less than value conclusion) we have only considered the contributory value of the improvements completed as of our original date of inspection (May 27, 2001)*

8. *A portion of the regional improvements required to serve the Stoneridge project, as well as surrounding properties in the Roseville area, are contractually the responsibility of the City of Roseville. One of the more notable improvements meeting this profile is the East Roseville Parkway bridge over the Miner's Ravine. Considering the fact that these improvements are exclusively the responsibility of the city of Roseville, we have not considered either their status or their remaining costs to complete in our valuation of the subject properties. Even so, it should be noted that much of the work related to the regional water line extensions in the Stoneridge West development have been completed and paid for directly by the City. In addition, reportedly the bridge over Miner's Ravine will be completed in the 4th quarter of this year. We have specifically assumed that those regional improvements required and obligated for completion by the City will be completed in the near term.*
9. *The Revised Draft Hearing Report, Stoneridge West CFD No. 1, dated July 18, 2001, cites 724 lots in total for the Stoneridge West development. In contrast, we have been provided maps for every component of the Stoneridge West development which in total reflect a lot count of 727 lots. The disparity between the Hearing Report references to lot count and the maps relates to Parcel 28 of the subject properties. According to the master developer's consultant (Ryan Fong of River Rock Development) Parcel 28 was originally mapped for 59 lots. However, the current map for this land area is based on a total lot count of 62 lots. For purposes of this analysis we will rely on the latest map proposed for Parcel 28 and thus a total lot count of 727 for the Stoneridge West development.*
10. *Villages 1, 2, and 5 of the Stoneridge West development were sold in a single transaction to Lennar Communities. However, due to some final mapping problems the total lot count of 104 for Village 2 has not yet been achieved. Instead, Lennar Communities took title to the entire land area identified as Village 2 (proposed for 104 lots) with only 87 lots receiving final map status (subsequently improved). Reportedly the problems associated with completing the final map for the remaining 17 lots in Village 2 are currently being resolved. According to Mr. Fong (River Rock Development) once the map for the remaining 17 lots is finalized Lennar Communities will compensate AKT Development (original seller) for this remainder property. Recognizing the fact that the property that comprises the 17 lots referenced above has transferred to Lennar Communities, we have in this analysis included this land area in the ownership component of Lennar Communities.*

GENERAL ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal report is subject to the following general assumptions and limiting conditions:

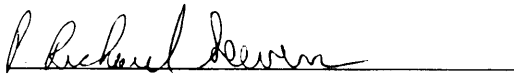
1. *No responsibility is assumed for the legal description provided or for matters pertaining to legal or title considerations. Title to the properties is assumed to be good and marketable unless otherwise stated.*
2. *No responsibility is assumed for matters of law or legal interpretation.*
3. *The properties are 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 that there are no hidden or unapparent conditions of the properties, 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 that the properties are 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 that the properties conform 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 that 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 that the use of the land and improvements is confined within the boundaries or property lines of the properties described and that 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 properties, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the properties. 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 properties. The value estimated is predicated on the assumption that there is no such material on or in the properties 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. We have not made a specific survey or analysis of these properties 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 constitute 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.*

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 is 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 a personal inspection of the property that is the subject of this report;
- Kevin K. Ziegenmeyer inspected the subject property and provided significant real property 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; and
- 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

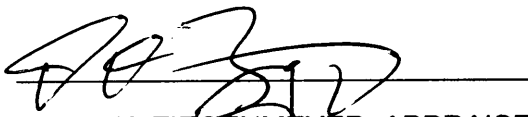
State Certification No.: AG001723 (Expires: August 12, 2002)

—————**Seevers • Jordan • Ziegenmeyer**—————

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 a personal 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; 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.
- No one other than the undersigned has made a significant real property appraisal assistance to the development of this appraisal.



KEVIN K. ZIEGENMEYER, APPRAISER

State Certification No.: AG013567 (Expires: June 4, 2003)

PROPERTY DESCRIPTION SECTION

Assessment and Tax Information

As reported in our original appraisal, 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 remaining infrastructure and property improvements are completed and in consideration of the definition of market value employed in this appraisal, which assumes a sale of the appraised property.

With respect to special taxes, the appraised properties are located within Stoneridge West Community Facilities District No. 1, which is pending and limited to an amount not to exceed \$11,810,000.

We have relied upon the Debt Service Schedule, prepared by Economic Planning Systems (EPS), for calculating the annual special tax levy on for the appraised properties. The annual special tax applicable to the subject was discussed in detail in our original report.

Offsite Improvements

As of the date of value, the subject is partially improved with the majority of the work related to the main thoroughfares complete at this time (Secret Ravine Parkway, East Roseville Parkway and Alexandra Drive). The most significant remaining work to be completed, in terms of primary infrastructure, relates to the bridge over one of the project's ravines.

Onsite Improvements

As of the date of value, Village #4 requires a minor amount of additional on-site work and site development for Parcel 28 has not yet began. It should be noted that the Village #4 lots are nearing completion at this time.

Existing and Proposed Improvement Description

The subject properties are being improved with average to good quality single-family homes. As of the date of value, six of the subject villages are actively marketing and constructing homes. This is an increase in the number active new projects reported in our original report (five subdivisions).

Sales History

The master developer of the subject properties acquired the subject properties, and additional land, more than three years ago. Since that time the master developer has fully entitled the subject properties. It should be noted that the lot sales occurring within the subject project have been presented in the sales comparison section of our original report. Furthermore, in the final analysis, the latest subject sales are considered to be the best indication of market values for the subject properties, due to the fact that they represent recent transactions between unrelated parties both acting prudently and in their own best interest.

As previously indicated, six new home subdivisions are now marketing product in the subject project.

Subject Photographs

Pictures of the subject properties are presented in the Addenda.

Highest and Best Use Analysis

Conclusion - As Though Vacant

The legal, physical, and market conditions have been analyzed to evaluate the highest and best use of the subject properties. The analysis is presented to evaluate the type of use(s), which will generate the greatest level of future benefits possible to the properties. The only use that meets the four criteria for determining the highest and best use is a well-balanced residential subdivision.

After analyzing the four components of highest and best use in sequential order, it is our conclusion that the highest and best use of the subject site as vacant is for development of single family homes marketed to the move-up homebuyer market.

Conclusion - As Proposed

The subject properties are proposed for development with various single-family residential home subdivisions. Based on the home pricing within surrounding neighborhoods, we have concluded that the highest and best use -as vacant- is similar to the proposed development. As such, it is anticipated that the new home construction to be built on the subject parcels will be similar to the successful residential developments in the area. Prices should generally be geared toward the move-up home market (\$300,000 to \$600,000).

INTRODUCTION

As indicated previously, this report is concerned with the subject's market value upon completion of the primary infrastructure and facilities to be funded by the Stoneridge West Community Facilities District No. 1.

In our analysis, we will first estimate the value of the subject's finished residential lots by employing the sales comparison approach to value. The unimproved lot value of the subject's parcel 28 lots (proposed) will also be derived. The partially complete lot values for the subject's Village 4 lots will be derived in the application of the subdivision development approach presented later in this analysis. In essence the Village 4 lots will be valued as if complete (improved lots) and then the cost to complete the lots will be deducted from the improved lot value estimate (in the subdivision development approach). The contributory value of the partially completed homes (nine model homes) will also be valued in the subdivision development approach to value for those subject components owned by Lennar Communities (Villages 1, 2, 5 and 6). Similar to the partially completed lots in Village 4, the partially completed homes will be valued as if complete and then the cost to complete the units will be deducted in the discounted cash flow section of the subdivision development approach to value. As referenced throughout this report, this analysis will address the subject's value based on a benchmark of "not less than" the value estimate reported in our original appraisal. Therefore, the contributory value of site development and construction work completed since our original date of value will not be addressed in the analysis. With stable market conditions as a basis, the added site and construction work suggests a current value conclusion at least equal to the value estimate concluded in our original appraisal.

The market value for each of the subject's components, by ownership, will be combined to derive the subject properties' cumulative value.

SUBDIVISION DEVELOPMENT METHOD

Introduction

This portion of our analysis is concerned with estimating the bulk market value of the subject properties according to the ownership. As previously indicated, these estimates of value will assume the primary infrastructure to be funded with the issuance of the Community Facilities District No. 1 is complete.

The best way to derive this value is to employ the subdivision development method to value.

The subdivision development method is defined as follows:

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 of the finished lots; 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 value of the raw land.⁶

We will employ a discounted cash flow analysis to value the subject properties under the subdivision development method. The four main components of our discounted cash flow analysis are listed as follows:

1. **Revenue** - the total gross income of the various components is derived in this section. The revenue for the properties owned by Lennar Communities exclusively relate to the land use components valued in this appraisal. In contrast, the AKT Development portion of the subject properties will also receive reimbursement monies as an additional source of revenue. All estimated sources of revenue for each of the subject's three ownership (Lennar Communities, AKT Development and Meritage Homes) remain unchanged when compared to our original appraisal. Again, it should be noted that additional work has been completed in terms of site development and the construction of new residences. However, the valuation of the contributory value of these additional improvements is beyond the scope of this update appraisal, which is intended to address the subject's current value relative to the value generated in our original appraisal.
2. **Absorption Analysis** - the time frame required to sell-off the land components. 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). Based on our analysis of the current market conditions relative to the market conditions at the time of our original appraisal, we have concluded that the assumption and projections made in our original appraisal, relative to absorption and appreciation, remain appropriate for this analysis.
3. **Expenses** - the expenses associated with the sell-off are calculated in this section - including administration, marketing and commission costs, as well as taxes, special tax payments, and the development costs that will not be funded by the bond issuance. The estimates of expenses related to the application of the discounted cash flow detailed in our original appraisal are also applicable to this update appraisal.

⁶ The Dictionary of Real Estate Appraisal, 3rd ed. (Chicago: Appraisal Institute, 1993) 354

4. **Discount Rate** - the appropriate discount rate is derived in this portion of the analysis employing a variety of market data. The discount rate selected in the application of the discounted cash flow employed in our original appraisal is also appropriate for this update appraisal.

For the reader's referenced we have presented our value conclusions for the subject's land use components, by ownership. The reader will note these "pre-discount" value estimates are identical to the values reported in our original appraisal. We have, based on a current investigation of the market, determined that the subject's various land use components would not be valued less than the values reported in our original appraisal.

Revenue

The revenue components will be generated by the sale of improved and unimproved residential lots and those homes that have met the threshold of construction completion (detailed in our original appraisal). In the following analysis we will utilize the lot values that were previously concluded in the bulk improved lot sales comparison section of our original report. These lot values, combined with the model home values, will lead to an aggregate estimate of value for each of the subject's components, by ownership. The cited aggregate values will then be integrated with the discounted cash flow analysis to reflect the bulk, or wholesale value of the subject, by ownership interest. For the reader's reference we have presented our value conclusions in the table below:

SUMMARY OF SUBJECTS PARCELS				
Stoneridge West: CFD No. 1				
Lennar Communities Roseville, California				
Village	No. of Lots	Typical Lot Size	Lot Value	Aggregate Village Value
1	164	7,150	\$110,500	\$18,122,000
2	101	6,600	\$105,500	\$10,655,500
5	94	10,000	\$135,500	\$12,737,000
6	126	10,000	\$135,500	\$17,073,000
Model Homes	9			\$3,675,000
Total:	494			\$62,262,500
ROUNDED				\$62,260,000
AKT Development (Roseville, California)				
Village	No. of Lots	Typical Lot Size	Lot Value	Aggregate Village Value
4	99	14,867	\$135,000	\$13,365,000
Parcel 28	62	7,500	\$60,000	\$3,720,000
Total:	161			\$17,085,000
ROUNDED				\$17,085,000
Meritage Homes (Roseville, California)				
Village	No. of Lots	Typical Lot Size	Lot Value	Aggregate Village Value
3	72	10,800	\$140,500	\$10,116,000
Total:	72			\$10,116,000
ROUNDED				\$10,115,000

As previously discussed, these estimates of value are inclusive of current and anticipated bond indebtedness.

Reimbursement From Fees - (AKT Development)

As indicated in our original appraisal, due to the amount of "oversized" or "regional improvements" that will be constructed, the master developer (AKT) will be entitled to future reimbursements that will be paid upon the collection of the roadway impact fees. The projections made in our original appraisal have not changed for purposes of this update.

AKT Development, as the master developer of Stoneridge West, is the only entity scheduled to receive reimbursements for roadway improvements completed in the development.

Absorption Analysis

Absorption Period

Considering current market conditions and the subject's specific characteristics we have concluded that the absorption projections presented in our original appraisal are also applicable at this time.

Annual Appreciation

This projected factor has been left unchanged from our original report.

Expenses

All of the expense items discussed in our original report are judged to be relevant at this time as well. Thus, Marketing Costs/Commissions/Closing Costs/Administrative, Interim Ad Valorem Taxes and Assessments, and Mello-Roos Community Facilities District expense projections remain unchanged from our original report.

Off-Tract Development and On-Site Development

While there continues to be offsite and onsite work completed at the subject properties, we have for purposes of this analysis relied on the percentage of complete provided at the time of our original report. Again, the reader is advised that the purpose of this update is to reaffirm our concluded values reported in our original appraisal, with a "not less than" value estimate.

Discount Rate

This factor has remained unchanged from our original report.

Conclusion

After re-analyzing each factor used in the Subdivision Development Approach, we have conclude that the current value estimates for the land area under ownership of Lennar Communities, and the current estimate of value for the parcels currently under ownership of AKT Development are not less than the values reported in our original appraisal for each of these ownerships. Likewise, the holdings of Meritage Homes are also concluded to be worth not less than the value reported in our original appraisal.

A subdivision development analysis is not applicable for the holdings of Meritage Homes, the owner of a single village (#3). It is not necessary to discount for a potential sell-off of their holdings, as the previously estimated market value reflects the "bulk" value, assuming all 72 residential lots are sold in a single transaction.

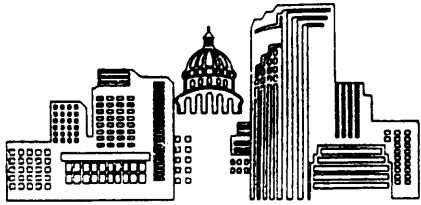
SUMMARY AND CONCLUSION

The purpose of this appraisal has been to estimate the value (fee simple, subject to special tax and assessment liens) of the subject properties assuming the completion of the infrastructure and facilities to be funded by the Stoneridge West Community Facilities District No. 1 bond issuance.

It should be noted that the value conclusions presented below are identical to the values reported our original appraisal. The purpose of this analysis has been to reaffirm the original value estimates as the "benchmark" value. Thus, the following estimates represent our "not less than" value conclusions. For the reader's reference the subject's component values and cumulative value are presented below:

OWNERSHIP	VILLAGES	BULK VALUE
Lennar	1, 2, 5 & 6	\$47,290,000
AKT	4 & parcel 28	\$15,530,000
Meritage	3	\$10,115,000
Cumulative Value		\$72,935,000

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SEEVERS • JORDAN • ZIEGENMEYER

Real Estate Appraisal & Consultation

October 1, 2001

Mr. Russ Branson, Finance Director
City of Roseville
2000 Hilltop Circle
Roseville, California 95747

RE: Amendment
Properties within Stoneridge West
Community Facilities District No. 1
Roseville, California

Dear Mr. Branson:

As requested, we have prepared an amendment to our original appraisal and appraisal update for the property referenced above. As stated in the original document, we completed a Complete Appraisal of the subject properties and presented our findings in a Self-Contained Report Format. This letter should be considered an extension of our original report dated July 20, 2001 and our appraisal update dated September 6, 2001 and as such, it incorporates all of the market data included in those documents by reference. This letter may only be used in conjunction with our original report and the appraisal update.

This amendment is written to address the reduction in total lot count for the subject properties. As cited in our original appraisal, as well as the appraisal update, the subject properties were previously reported to have included 727 residential lots. Recent revisions to the project maps have resulted in a reduction of one residential lot, thereby reducing the total lot count to 726 lots.

The overall impact on value related to the reduction in lot count, relative to the previously concluded value estimate, is judged to be minimal. This assertion is based, in part, on the amount of on-site work that has been completed at the Village 4 component of the subject properties, as well as the on-going and extensive construction work that has been completed in terms of new housing. The amount of new home construction completed today is considerably greater than it was at the time of our original appraisal. We appraised a total of nine new homes that were being completed at the time of our original appraisal. Each home included in our original appraisal represented a model home for three of the new home subdivisions within the subject development. In contrast, as of the week of September 6, 2001 five of the six active new projects reported 97 new homes under construction. These new home starts are in addition to the model homes at each new home subdivision. The new home starts and total number of units sold, by village (subdivision) is presented on the following page.

Village/Subdivision	Under Construction	Sold
Cambridge at Stoneridge	44	24
Winncrest at Saratoga	24	3
Tiburon at Stoneridge	N/a	8
Renaissance at Saratoga	24	6
US Home at Stoneridge	5	12
Meritage Homes at Stoneridge	0	0
Total	97	53

Again, the overall loss in value due to the reduction in lot count from 727 to 726 is judged to be more than offset by the amount of work completed between the date of our original appraisal and the date of this letter. This assertion considers the contributory value of the additional on-site development work recently completed at Village 4 and also the significant amount of construction work that has been completed at five of the subject's six active new home subdivisions.

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

Sincerely,

Kevin K. Ziegenmeyer, Appraiser

State Certification No.: AG013567
Expires: June 4, 2003

P. Richard Seevers, MAI, SRA

State Certification No. AG012709
Expiration Date: August 12, 2002

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

"Acquisition Agreement" means the Funding, Construction and Acquisition Agreement, entered into by and between the City and AKT Development, and any amendments thereto, in connection with payment or reimbursement of the costs of the Project by the City, including for costs of acquisition of portions of the Project.

"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 October 1, 2001, 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 Finance Director, the 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, 2002.

"Bonds" means the City of Roseville Stoneridge West Community Facilities District No. 1 Special Tax Bonds Series 2001 at any time Outstanding under the Fiscal Agent Agreement or any Supplemental Agreement.

"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 October 1, 2001, by and among the City and BNY Western Trust Company, National Association, 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, 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 by Section 3.03(A) hereof.

"District" means the City of Roseville Stoneridge West Community Facilities District No. 1 formed pursuant to the Resolution of Formation.

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

"Federal Securities" means 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.

"Finance Director" means the Finance Director, including any Acting Finance Director, of the City.

"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 July 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; Kenny Information Services' "Called Bond Service," 65 Broadway, 16th Floor, New York, New York

10064; Moody's Investors Service "Municipal and Government," 5250 77 Center Drive, Charlotte, North Carolina 28217, Attention Municipal News Reports; Standard & Poor's Ratings Services "Called Bond Record," 25 Broadway, 3rd Floor, New York, New York 10004; 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 the City may designate in an Officer's Certificate delivered to the Fiscal Agent.

"Interest Payment Dates" means March 1 and September 1 of each year, commencing March 1, 2002.

"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), 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;

(viii) units of a taxable government money market portfolio comprised solely of obligations listed in (i) or (iv) above;

(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 the California Asset Management Program; or

(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. 01-461, adopted by the City Council of the City on September 5, 2000, which resolution, among other matters, authorized the issuance of the Bonds.

"Resolution of Formation" means Resolution No. 01-362, adopted by the City Council of the City on July 18, 2001, establishing the District for the purpose of providing for the financing of certain public facilities in and for such District.

"Resolution of Intention" means Resolution No. 01-236, adopted by the City Council of the City on June 6, 2001.

"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 Finance 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 Stoneridge West Community Facilities District No. 1 Special Tax Bonds, Series 2001, 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.

From time to time, the City may withdraw from the Surplus Account of the Special Tax Fund amounts needed to pay costs of the Project or incidental expenses of the District authorized under the Act. Moneys in the Surplus Account may, at the City's discretion, also be used 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.

Moneys in the Surplus Account will be held in trust by the City for the benefit of the City and the Owners of the Bonds, is required to be disbursed as provided above, and, pending any disbursements, shall be subject to a lien in favor of the Owners of the Bonds.

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 Stoneridge West 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 Finance 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 Finance 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 Stoneridge West 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 Finance 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 Finance Director, the Stoneridge West 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 held in trust by the Finance Director and 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 Finance 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 by the Finance Director 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 Finance Director 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 Stoneridge West 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 Finance 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 Debt Service Account of the Special Tax Fund. Thereafter, every invoice received by the Fiscal Agent shall be submitted to the Treasurer or Finance 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 Finance 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 Finance Director shall in no way affect the obligations of the Treasurer or Finance Director under the following two paragraphs. Upon receipt of such notice, the Treasurer shall communicate with the Finance 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 Finance 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 Finance Director in writing of the amount of the shortfall and the Finance Director shall make such payment from any amounts available in the Special Tax Fund.

The Fiscal Agent

Removal or Resignation of 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 hereof. 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.

Waiver of Personal Liability. 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

The District is located in the City of Roseville. 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, 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 83,000 at January 1, 2001, is the largest city in Placer County as well as the residential and industrial center of the County.

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

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

Municipal Government

The City was incorporated on April 10, 1909 and is a charter city. The City operates under the council-manager form of government, with a five-member City Council elected at large for staggered four-year terms. At each election, the council member receiving the most votes is appointed mayor pro-tempore for two years and becomes mayor for the final two years.

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

Population

Between 1997 and 2001, the City's population increased 30.7%, compared to a 21.2% increase for the County and 6.6% for the State for the same period. The City's growth in population is shown below.

**City of Roseville
Population
1997 through 2001**

<u>Year</u> <u>(As of January 1)</u>	<u>City of</u> <u>Roseville</u>	<u>County</u> <u>of Placer</u>	<u>State of</u> <u>California</u>
1997	63,500	212,400	32,670,000
1998	67,300	219,400	33,226,000
1999	72,100	227,500	33,776,000
2000	80,100	248,700	34,207,000
2001	83,000	257,500	34,818,000

Source: California State Department of Finance.

Employment and Industry

Placer County, along with El Dorado and Sacramento Counties, comprise the Sacramento Metropolitan Statistical Area. The following table summarizes the labor force, employment and unemployment figures, as well as the distribution of employment by industry in the Sacramento Metropolitan Statistical Area labor market.

**Sacramento Metropolitan Statistical Area
Labor Force, Employment and Unemployment
Annual Average for Calendar Years 1996 through 2000**

	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Civilian Labor Force ⁽¹⁾	722,200	741,700	760,100	786,900	813,000
Employment	679,000	702,000	723,200	755,300	780,200
Unemployment	43,200	39,700	36,900	31,600	32,800
Unemployment Rate	6.0%	5.4%	4.9%	4.0%	4.0%
<u>Wage and Salary Employment:</u> ⁽²⁾					
Total All Industries	608,900	629,000	655,700	689,800	716,000
Agriculture	3,700	3,800	3,700	3,900	4,000
Nonagricultural Industries	605,200	625,200	652,000	685,900	712,000
Mining	200	200	200	200	200
Construction	30,000	33,200	37,100	43,500	47,700
Manufacturing	43,400	45,300	46,800	48,500	50,300
Transportation, Public Utilities	24,800	24,700	26,200	27,100	27,500
Wholesale Trade	24,000	25,000	25,900	26,400	26,600
Retail Trade	109,800	111,700	114,200	118,500	126,400
Finance, Insurance, Real Estate	39,300	42,200	47,500	49,700	48,000
Services	167,100	173,900	182,500	193,400	202,300
Government	166,700	169,100	171,800	178,600	182,900

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

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

Source: State of California Employment Development Department.

The unemployment rate in the Sacramento MSA was 3.8 percent in August 2001, down from a revised 4.0 percent in July 2001, and below the year-ago estimate of 3.9 percent. This compares with an unadjusted unemployment rate of 5.2 percent for California and 4.9 percent for the nation during the same period.

The total number of wage and salary jobs in the Sacramento MSA increased from 739,900 jobs in July 2001 to 741,700 jobs in August 2001. The net gain of 1,800 jobs was largely due to gains in government, farm, construction and trade payrolls.

Government employment increased by 1,700 jobs, largely due to seasonal payroll gains in local education. Farm employment increased by 600 jobs, construction by 500 jobs, while trade and the transportation and public utilities industries were up by 200 jobs each. Offsetting some of the increase, the manufacturing industry fell by 1,300 jobs due to cutbacks in computers and electronics segments. The finance, insurance and real estate industry experienced a modest decline of 100 jobs during the month.

Between August 2000 and August 2001, the total job count was up by 16,900 jobs or 2.3 percent. Despite a decline of 3,400 federal government jobs, government experienced the largest net gain of 8,000 jobs. This was largely due to an increase of 5,600 local education jobs and 4,700 state jobs. Construction remained strong, posting a gain of 4,500 jobs. The service and trade industries added 2,800 and 2,200 jobs, respectively. The finance, insurance and real estate industry expanded by 600 jobs and farm employment was up by 500 jobs. Offsetting some of those increases, the manufacturing industry experienced a decline of 1,700 jobs, with losses spread across most segments, particularly computers, electronics and food processing. All other major industries remained stable.

The table below lists the ten largest employers in the City. As shown below, Hewlett-Packard added approximately 1,570 employees from 1999 to 2000.

**City of Roseville
Largest Employers
During 1999 and 2000**

<u>Business</u>	<u>No. of Employees- 1999</u>	<u>No. of Employees- 2000</u>
Hewlett-Packard	4,430	6,000
NEC Electronics Inc.	1,500	1,516
Sutter Roseville Medical Center	1,412	1,500
Kaiser-Permanente	1,394	1,394
Union Pacific Railroad	1,000	1,294
Roseville Joint Union High School Dist.	583	980
City of Roseville	818	870
Roseville Communications Co.	601	688
Roseville City Schools	572	625
Agilent Technologies	N/A	450

Source: City of Roseville. Business Licensing Division

Construction

The City issued building permits valued in excess of \$482.7 million in 1999. Of this total dollar volume, approximately 56% consisted of new residential construction. The

following table shows residential building permits issued, and non-residential building permits, in permitted square feet, for calendar years 1995 through the first two quarters of 2000.

The City issued building permits valued in excess of \$541.3 million in 2000. Of this total dollar volume, approximately 73% consisted of new residential construction. The following table shows residential and non-residential building permits for calendar years 1996 through 2000.

City of Roseville
Total Building Permit Valuations
TOTAL BUILDING PERMIT VALUATIONS⁽¹⁾
(\$'s in thousands)

<u>Permit Valuation</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
New Single-family	\$248,709.3	\$265,817.8	\$342,595.8	\$231,549.9	\$313,769.6
New Multi-family	0.0	19,284.7	30,707.4	38,746.2	83,145.1
Res. Alterations/Additions	<u>4,242.8</u>	<u>4,216.8</u>	<u>4,054.3</u>	<u>1,584.3</u>	<u>1,593.0</u>
Total Residential	252,952.0	289,319.2	377,357.4	271,880.4	398,507.7
New Commercial	22,164.0	35,691.4	81,526.1	95,294.4	43,818.8
New Industrial	2,948.0	15,045.3	5,418.9	64,940.3	15,237.0
New Other	8,965.9	6,506.2	8,125.7	13,989.1	17,908.4
Com. Alterations/Additions	<u>26,954.3</u>	<u>19,070.0</u>	<u>29,883.3</u>	<u>36,642.2</u>	<u>65,857.6</u>
Total Nonresidential	61,032.2	76,312.8	124,954.0	210,866.0	142,821.7
 <u>New Dwelling Units</u>					
Single Family	1,607	1,688	2,034	1,204	1,393
Multiple Family	<u>0</u>	<u>330</u>	<u>440</u>	<u>609</u>	<u>1,116</u>
TOTAL	1,607	2,018	2,474	1,813	2,509

⁽¹⁾ Numbers may not add due to rounding.

Source: Construction Industry Research Board, Building Permit Summary

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

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

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

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

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

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

Taxable Sales

During the first three quarters of calendar year 2000, reported total taxable sales in the City were reported to be \$1,600,161,000, a 7.7% increase over total taxable transactions of \$1,485,730,000 that were reported during the first three quarters of calendar year 1999. Taxable transactions in the City now exceed \$2 billion annually. A summary of taxable transactions in the City is shown below.

**City of Roseville
Taxable Transactions
Calendar Years 1995 through 1999
(Dollars in thousands)**

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
Apparel	\$24,733	\$ 26,660	\$ 31,738	\$ 29,863	\$ 32,672
General Merchandise	104,342	133,497	168,402	185,347	216,270
Drug Stores	13,215	14,739	(1)	(1)	(1)
Food Stores	37,339	40,119	42,575	46,327	56,650
Liquor Stores	1,388	(2)	(1)	(1)	(1)
Eating and Drinking Places	57,742	70,203	84,277	93,141	114,344
Home Furnishing and Apps.	17,011	17,547	23,796	32,623	46,138
Building Mtls and Farm Impts.	78,022	85,910	98,107	106,667	127,130
Service Stations	36,690	46,504	50,104	601,395	767,375
Auto Dealers and Auto Supplies	492,629	412,199	543,251	50,189	60,337
Miscellaneous	<u>88,630</u>	<u>112,568</u> ⁽³⁾	<u>138,286</u> ⁽³⁾	<u>169,936</u>	<u>187,597</u>
TOTAL RETAIL OUTLETS	\$951,741	\$959,946	\$1,180,536	\$1,315,488	\$1,608,513
ALL OTHER OUTLETS	\$<u>205,168</u>	\$<u>215,787</u>	\$ <u>296,081</u>	\$ <u>344,128</u>	<u>404,427</u>
TOTAL ALL OUTLETS	<u>\$1,156,909</u>	<u>\$1,175,733</u>	<u>\$1,476,617</u>	<u>\$1,659,616</u>	<u>\$2,012,940</u>
TOTAL NUMBER OF PERMITS	2,184	2,315	2,471	2,423	2,482

⁽¹⁾ Drug stores have been merged with general merchandise stores and packaged liquor stores have been merged with other retail stores.

⁽²⁾ Disclosure of sales in this category omitted in this year.

Source: California State Board of Equalization.

City Services

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

APPENDIX E
FORM OF OPINION OF BOND COUNSEL

_____, 2001

City Council
City of Roseville
311 Vernon Street
Roseville, California 95678

OPINION: \$12,995,000 City of Roseville Stoneridge West Community Facilities District No. 1 Special Tax Bonds Series 2001

Members of the City Council:

We have acted as bond counsel in connection with the issuance by the City of Roseville (the "City") of \$12,995,000 City of Roseville Stoneridge West Community Facilities District No. 1 Special Tax Bonds Series 2001 (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 October 1, 2001 (the "Fiscal Agent Agreement") by and between the City on behalf of the City of Roseville Stoneridge West Community Facilities District and BNY Western Trust Company. 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

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**CONTINUING DISCLOSURE AGREEMENT
(City)**

THIS CONTINUING DISCLOSURE AGREEMENT (the "Disclosure Agreement") is dated as of October 1, 2001, is by and among 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 BNY Western Trust Company, a banking corporation (the "Bank") duly organized and validly existing under the laws of the State of California, in its capacity as Dissemination Agent (the "Dissemination Agent").

W I T N E S S E T H :

WHEREAS, pursuant to the Fiscal Agent Agreement, dated as of October 1, 2001 (the "Agreement"), by and between the City and the Fiscal Agent, the City has issued its City of Roseville Stoneridge West Community Facilities District No. 1 Special Tax Bonds Series 2001 (the "Bonds"), in the aggregate principal amount of \$12,995,000; and

WHEREAS, this Disclosure Agreement is being executed and delivered by the City, the Fiscal Agent 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 the Bank, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the City and which has filed with the Fiscal Agent a written acceptance of such designation.

"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, as they may be designated from time to time pursuant to the Rule.

"Official Statement" means the Official Statement, dated October 11, 2001, 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, 2001 (for the report due January 15, 2002), 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 send a notice to the Municipal Securities Rulemaking Board in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

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

(ii) (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.
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 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 STONERIDGE WEST 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 has determined that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities laws, the City shall promptly notify the Dissemination Agent by Officer's Certificate. Such Officer's Certificate shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (e).

(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 Fiscal Agent and 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: BNY Western Trust Company
One Embarcadero Center, Suite 2050
San Francisco, CA 94111
Attention: Corporate Trust Division

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 Fiscal 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 Stoneridge West
Community Facilities District No. 1

By: _____
Authorized Officer

BNY WESTERN TRUST COMPANY,
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: \$12,955,000 City of Roseville Stoneridge West Community
Facilities District No. 1 Special Tax Bonds Series 2001

Date of Issuance: October 25, 2001

NOTICE IS HEREBY GIVEN that the City of Roseville (the "City") on behalf of City of Roseville Stoneridge West Community Facilities District No. 1 has not provided an Annual Report with respect to the above-named Bonds as required by the Fiscal Agent Agreement, dated as of October 1, 2001, by and between the City and BNY Western Trust Company, as Fiscal Agent. The City anticipates that the Annual Report will be filed by _____.

Dated: _____

BNY WESTERN TRUST COMPANY, as
Dissemination Agent, on behalf of City of
Roseville Stoneridge West Community
Facilities District No. 1

By: _____
Authorized Officer

cc: City of Roseville

CONTINUING DISCLOSURE AGREEMENT (Developer)

THIS CONTINUING DISCLOSURE AGREEMENT (the "Disclosure Agreement") dated as of October 1, 2001, is by and between Lennar Corporation, on its own behalf and as representative of its subsidiaries and affiliates or entities it has an interest in or controls, including but not limited to Lennar Renaissance, U.S. Home and Roseridge Development, LLC, (collectively, the "Developer") and BNY Western Trust Company, a banking corporation duly organized and validly existing under the laws of the State of California (the "Bank"), in its capacity as dissemination agent (the "Dissemination Agent").

W I T N E S S E T H :

WHEREAS, pursuant to the Fiscal Agent Agreement, dated as of October 1, 2001 (the "Agreement"), by and between the City of Roseville, California (the "City") and the Bank, in its capacity as Fiscal Agent thereunder, the City has issued its City of Roseville Stoneridge West Community Facilities District No. 1 Special Tax Bonds Series 2001 (the "Bonds"), in the aggregate principal amount of \$12,995,000; 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 and in order to assist the Participating Underwriter of the Bonds in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) and to assist in the marketing 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 the Bank, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the City and which has filed with the Fiscal Agent a written acceptance of such designation.

"Issuer" shall mean the City of Roseville, Placer County, California.

"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, as they may be designated from time to time pursuant to the Rule.

"Official Statement" means the Official Statement, dated October 11, 2001, 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.

"Project" shall mean the proposed residential development of property within the District being undertaken by the Developer, as described in the Official Statement.

"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.

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, 2002 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 same manner as for a Listed Event under Section 4(c).

(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 in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

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

(ii) to the extent appropriate information is available to it, file a report with the Issuer 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, for each ownership group, information,

separately with respect to property owned by it, or its affiliates or subsidiaries, or entities it has an interest in or controls, if material:

(a) Any significant changes in the information contained in the Official Statement under the headings: "THE DISTRICT - Anticipated Development in the District" " - Development Agreement," "THE IMPROVEMENTS - Estimated Cost of the Improvements," "THE IMPROVEMENTS - Construction and Acquisition of the Improvements" and "OWNERSHIP OF PROPERTY WITHIN THE DISTRICT" and the status of completion of the Improvements (as defined in the Official Statement).

(b) An update to the material in "The [Developer's] Financing Plan" appearing under the caption "OWNERSHIP OF PROPERTY WITHIN THE DISTRICT" in the Official Statement; such update shall be for the years shown and shall reflect approximate actual data for the projected time periods which have concluded and updated projections for the periods to come.

(c) A general description of the development status of the parcels within the District.

(d) A listing of property within the District sold by the Developer since the date of the Official Statement.

(e) A description of any change in the legal structure of the Developer.

(f) 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.

(g) 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.

(h) Any failure by the Developer to pay when due general property taxes or assessments or special taxes with respect to its property in the District.

(i) Any previously undisclosed amendments to the land use entitlements or environmental conditions or other governmental conditions that are necessary to complete the development plan.

(j) 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 bankruptcy proceedings (whether voluntary or involuntary) by the Developer or any related entity.

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

(c) If the Developer determines that knowledge of the occurrence of a Listed 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 (including the subsidiaries and affiliates or entities it has an interest in or controls) 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 same manner as for a Listed Event 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 Listed 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 Listed 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 Listed 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	Lennar Corporation 2240 Douglas Boulevard, Suite 200 Roseville, CA 95661
To the Dissemination Agent:	BNY Western Trust Company One Embarcadero Center, Suite 2050 San Francisco, CA 94111 Attention: Corporate Trust Division
To the Issuer/City:	City of Roseville 311 Vernon Street Roseville, California 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.

By: _____
Its: _____

BNY WESTERN TRUST COMPANY,
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: \$12,995,000 City of Roseville, Stoneridge West Community Facilities District No. 1, Special Tax Bonds, Series 2001

Date of Issuance: October 25, 2001

NOTICE IS HEREBY GIVEN that _____ (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 Developer

By:

Its:

cc: Developer

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.

130528

MSRB

FORM G-36(OS) – FOR OFFICIAL STATEMENTS

SECTION I – MATERIALS SUBMITTED

A. THIS FORM IS SUBMITTED IN CONNECTION WITH (check one):

1. ☒ A FINAL OFFICIAL STATEMENT RELATING TO A PRIMARY OFFERING OF MUNICIPAL SECURITIES (enclose two (2) copies)(a) DATE RECEIVED FROM ISSUER: 10/18/01 (b) DATE SENT TO MSRB: 10/18/012. ☐ AN AMENDED OFFICIAL STATEMENT WITHIN THE MEANING OF RULE G-36(d) (enclose two (2) copies)

(a) DATE RECEIVED FROM ISSUER: _____ (b) DATE SENT TO MSRB: _____

B. IF MATERIALS SUBMITTED WITH THIS FORM CONSIST OF MORE THAN ONE DOCUMENT (e.g., preliminary official statement and wrap, even if physically attached), PLEASE CHECK HERE: ☐C. IF THIS FORM AMENDS PREVIOUSLY SUBMITTED FORM WITHOUT CHANGING MATERIALS SUBMITTED, PLEASE CHECK HERE (include copy of original Form G-36(OS)): ☐

SECTION II – IDENTIFICATION OF ISSUE(S)

Each issue must be listed separately. If more space is needed to list additional issues, please include on separate sheet and check here: ☐

A. NAME OF

ISSUER: City of Roseville

DESCRIPTION: _____

OF ISSUE: Stoneridge West County Fac. Dist No. 1, Spec TAXSTATE: CA

DATED: _____

DATE: 10-25-01

B. NAME OF

ISSUER: _____

DESCRIPTION: _____

OF ISSUE: _____

STATE: _____

DATED: _____

DATE: _____

C. NAME OF

ISSUER: _____

DESCRIPTION: _____

OF ISSUE: _____

STATE: _____

DATED: _____

DATE: _____

SECTION III – TRANSACTION INFORMATION

A. LATEST FINAL MATURITY DATE OF ALL SECURITIES IN OFFERING: 9-1-31B. DATE OF FINAL AGREEMENT TO PURCHASE, OFFER OR SELL SECURITIES (Date of Sale): 10-12-01C. ACTUAL OR EXPECTED DATE OF DELIVERY OF SECURITIES TO UNDERWRITER(S) (Bond Closing): 10-25-01D. IF THESE SECURITIES ADVANCE REFUND ALL OR A PORTION OF ANOTHER ISSUE, PLEASE CHECK HERE: ☐

A separate Form G-36(ARD) and copies of the advance refunding documents must be submitted for each issue advance refunded.

SECTION IV – UNDERWRITING ASSESSMENT INFORMATION

This information will be used by the MSRB to compute any rule A-13 underwriting assessment that may be due on this offering. The managing underwriter will be sent an invoice if a rule A-13 assessment is due on the offering.

A. MANAGING

UNDERWRITER: Stone & Youngberg LLC

SEC REG.

NUMBER: 8-03149B. TOTAL PAR VALUE OF ALL SECURITIES IN OFFERING: \$ 12,995,000.00

C. PAR AMOUNT OF SECURITIES UNDERWRITTEN (if different from amount shown in item B above): \$ _____

D. CHECK ALL THAT APPLY:

1. ☐ At the option of the holder thereof, all securities in this offering may be tendered to the issuer of such securities or its designated agent for redemption or purchase at par value or more at least as frequently as every nine months until maturity, earlier redemption, or purchase by the issuer or its designated agent.
2. ☐ At the option of the holder thereof, all securities in this offering may be tendered to the issuer of such securities or its designated agent for redemption or purchase at par value or more at least as frequently as every two years until maturity, earlier redemption, or purchase by the issuer or its designated agent.
3. ☐ This offering is exempt from SEC Rule 15c2-12 under section (d)(1)(i) of that rule. Section (d)(1)(i) of SEC Rule 15c2-12 states that an offering is exempt from the requirements of the rule if the securities offered have authorized denominations of \$100,000 or more and are sold to no more than 35 persons each of whom the participating underwriter believes: (1) has the knowledge and expertise necessary to evaluate the merits and risks of the investment; and (2) is not purchasing for more than one account, or with a view toward distributing the securities.

SECTION V - CUSIP INFORMATION

MSRB rule G-34 requires that CUSIP numbers be assigned to each new issue of municipal securities unless the issue is ineligible for CUSIP number assignment under the eligibility criteria of the CUSIP Service Bureau.

A CUSIP-9 NUMBERS OF ISSUE(S)

Maturity Date	CUSIP Number	Maturity Date	CUSIP Number	Maturity Date	CUSIP Number
9-1-02	777870FZ4	9-1-11	777870GJ9	9-1-20	777870GT7
03	GAX	12	GK6		
04	GB6	13	GL4	25	GU4
05	GC4	14	GM2		
06	GD2	15	GN0	31	GV2
07	GE0	16	GP5		
08	GF7	17	GQ3		
09	GG5	18	GR1		
10	GH3	19	GS9		

B IF ANY OF THE ABOVE SECURITIES HAS A "CUSIP-6" BUT NO "CUSIP-9". CHECK HERE AND LIST THEM BELOW: ☐

(Please see instructions in Form G-36 Manual)

LIST ALL CUSIP-6 NUMBERS ASSIGNED: _____

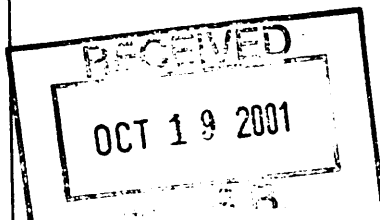
State the reason why such securities have not been assigned a "CUSIP-9": _____

C IF ANY OF THESE SECURITIES IS INELIGIBLE FOR CUSIP NUMBER ASSIGNMENT. PLEASE CHECK HERE: ☐

State the reason why such securities are ineligible for CUSIP number assignment: _____

SECTION VI - MANAGING UNDERWRITER'S CERTIFICATION AND SIGNATURE

THE UNDERSIGNED CERTIFIES THAT THE MATERIALS ACCOMPANYING THIS FORM ARE AS DESCRIBED IN SECTION I ABOVE AND THAT ALL OTHER INFORMATION CONTAINED HEREIN IS TRUE AND CORRECT. THE UNDERSIGNED ACKNOWLEDGES THAT SAID MATERIALS WILL BE PUBLICLY DISSEMINATED.



Isidoreu sent to _____

ng materials to MSKB, MSIL System, 1640 King Street, Suite 300,