NEW ISSUE—BOOK ENTRY ONLY

NON-RATED

In the opinion of Cox, Castle & Nicholson LLP, 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.

$33,470,000
CITY OF ROSEVILLE
HIGHLAND RESERVE NORTH COMMUNITY FACILITIES DISTRICT NO. 1
SPECIAL TAX BONDS
SERIES 1999

Dated: October 1, 1999

Due: September 1, as shown below

The City of Roseville Highland Reserve North Community Facilities District No. 1 Special Tax Bonds Series 1999 (the "Bonds") are being issued by the City of Roseville (the "City") by and through its Highland Reserve North Community Facilities District No. 1 (the "District") to acquire a portion of certain public facilities of benefit to the District, to establish a reserve fund with respect to the Bonds, to provide for capitalized interest and to pay the costs of issuance of the Bonds.

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. Interest on the Bonds is payable on March 1 and September 1 of each year (each an "Interest Payment Date"), commencing March 1, 2000. 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 shall mean Cede & Co., and shall 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., by U.S. Trust Company, National Association, San Francisco, California, as the fiscal agent, registrar and transfer agent (the "Fiscal Agent") for the Bonds, 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 "THE BONDS—Book-Entry System."

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

The Bonds are special tax obligations of the City, authorized 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 are being issued pursuant to a Fiscal Agent Agreement, dated as of October 1, 1999 (the "Fiscal Agent Agreement"), by and between the City and the Fiscal Agent. The Special Tax will be collected in the same manner and at the same time as *ad valorem* real property taxes are collected by the County Tax Collector of Placer County, State of California.

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 owner shall be able to pay the Special Tax or that it shall pay such Special Tax even though financially able to do so.

THE PAYMENT OF THE INTEREST ON OR PRINCIPAL OF THE BONDS IS NOT A GENERAL DEBT, LIABILITY OR 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 AND THE RESERVE FUND DESCRIBED HEREIN. THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION, AND NEITHER THE CITY COUNCIL NOR THE CITY NOR ANY OFFICER OR EMPLOYEE THEREOF SHALL BE 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 TAX AS PROVIDED IN THE FISCAL AGENT AGREEMENT.

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

Maturity Date (September 1)	Principal Amount	Interest Rate	Price/ Yield	Maturity Date (September 1)	Principal Amount	Interest Rate	Price/ Yield
2001	$630,000	4.700%	100%	2004	$730,000	5.125%	5.250%
2002	660,000	4.900	5.000	2005	765,000	5.300	5.400
2003	695,000	5.100	5.150	2006	805,000	5.400	5.500

$4,785,000 6.000% Term Bonds Due September 1, 2011—Price 100%
$24,400,000 6.300% Term Bonds Due September 1, 2025—Price 100%
(plus accrued interest)

The Bonds are offered when, as and if issued, subject to approval as to their legality by Cox, Castle & Nicholson LLP, San Francisco, California, Bond Counsel. Certain legal matters will also be passed on by Cox, Castle & Nicholson LLP as Disclosure Counsel. Certain legal matters will be passed upon for the City by the City Attorney and for the Underwriter by Orrick Herrington & Sutcliffe LLP, Los Angeles, California, Underwriter's Counsel. It is anticipated that the Bonds will be available for delivery to DTC on or about October 19, 1999 in New York, New York.

Stone & Youngberg LLC

The date of this Official Statement is September 28, 1999

CITY OF ROSEVILLE, CALIFORNIA

City Council

Harry Crabb, *Mayor*
Claudia Gamar, *Mayor Pro Tempore*
Randy Graham, *Councilmember*
Dan Goodhall, *Councilmember*
Earl Rush, *Councilmember*

City Staff

Allen E. Johnson, *City Manager*
Phil E. Ezell, *Finance Director*
Mark Doane, Esq., *City Attorney*
Carolyn Parkinson, *City Clerk*

SPECIAL SERVICES

Bond Counsel

Cox, Castle & Nicholson LLP
San Francisco, California

Fiscal Agent

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

Financial Advisor

Public Financial Management, Inc.
San Francisco, California

Appraiser

Bender Rosenthal
Sacramento, California

Special Tax Consultant

Economic & Planning Systems
Sacramento, California

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 as contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City.

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 any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

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

The information set forth herein has been obtained from sources which are believed to be reliable, but such information is neither guaranteed as to accuracy or completeness, nor to be construed as a representation of such by the City, the District or the Underwriter. The information and expressions of opinion stated herein are subject to change without notice. The delivery of this Official Statement shall not, under any circumstances, create any implication that there has been no change in the affairs of the City, the District or the property owners within the District, or in the property within the District since the date hereof. The summary of the Fiscal Agent Agreement and certain other documents and agreements herein are made subject to the provisions of such documents and do not purport to be complete statements of any or all of such provisions. Reference is made hereby to the Fiscal Agent Agreement and such documents on file with the Fiscal Agent for further information. All capitalized terms used herein, unless noted otherwise, shall have the meanings prescribed in the Fiscal Agent Agreement.

In connection with this offering, the Underwriter may overallot 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.

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.

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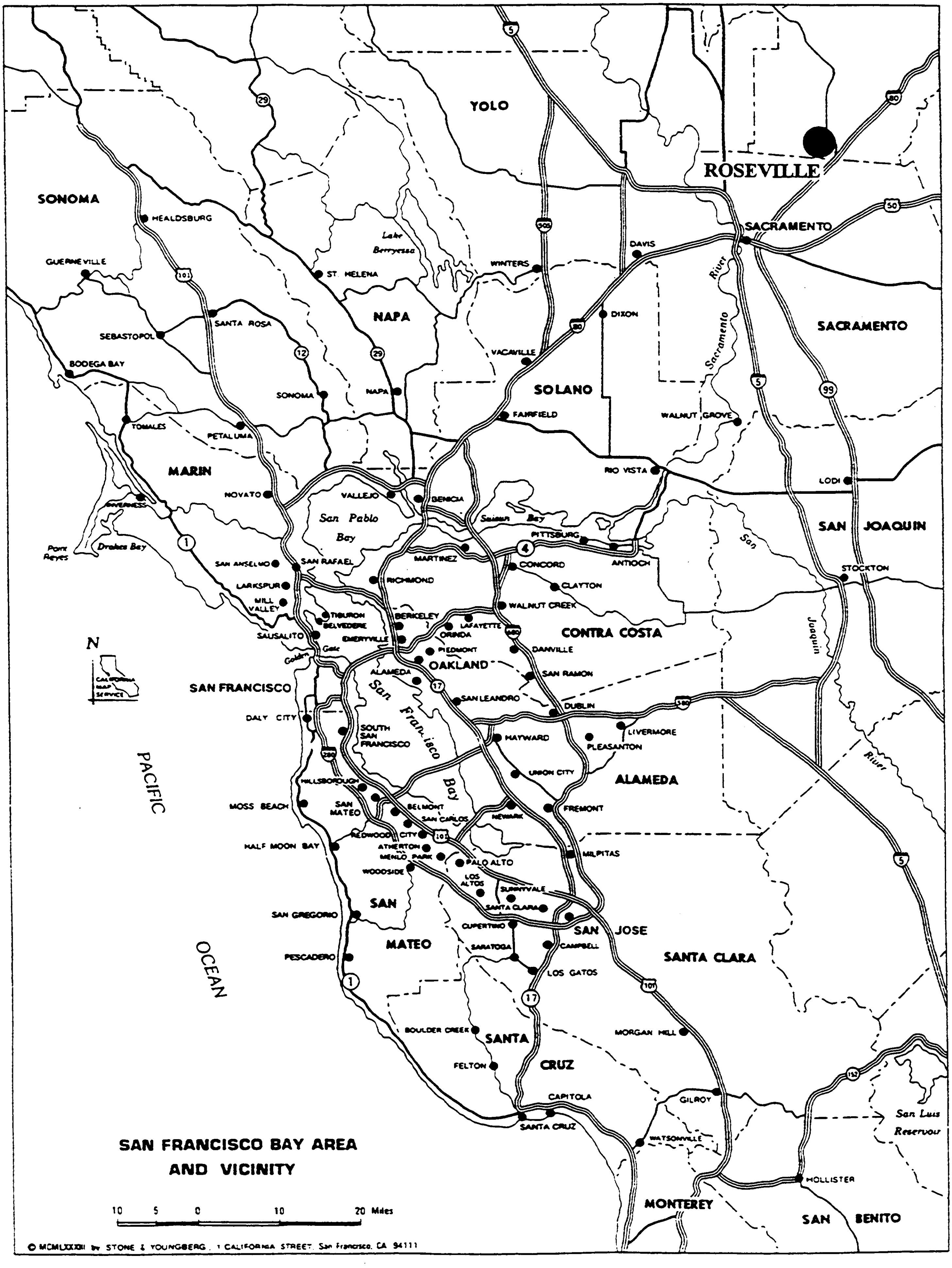


OFFICIAL STATEMENT

$33,470,000
CITY OF ROSEVILLE
HIGHLAND RESERVE NORTH COMMUNITY FACILITIES DISTRICT NO. 1
SPECIAL TAX BONDS
SERIES 1999

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 Highland Reserve North Community Facilities District No. 1 (the "Community Facilities District" or the "District") of $33,470,000 aggregate principal amount of bonds designated City of Roseville Highland Reserve North Community Facilities District No. 1 Special Tax Bonds Series 1999 (the "Bonds"). The Bonds will be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, constituting Section 53311 *et seq.* of the California Government Code (the "Act"), a Fiscal Agent Agreement, dated as of October 1, 1999 (the "Fiscal Agent Agreement"), by and between the City and U.S. Trust Company, National Association, as fiscal agent (the "Fiscal Agent") and Resolution No. 99-352 (the "Resolution") adopted on August 18, 1999 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 shall 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, without coupons, in the denomination of $5,000 or any integral multiple thereof and shall be dated as of and bear interest from October 1, 1999, at the rate or rates set forth on the cover page hereof. 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 shall mean Cede & Co., and shall 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 "THE BONDS — Book-Entry System."

The Act was enacted by the California Legislature to provide a method of financing certain public facilities and services, especially in developing areas. Once duly established, a community facilities district is a legally constituted governmental entity established for the purpose of financing specific facilities and services within defined boundaries. Subject to approval by a vote of electors or landowners in the district and compliance with the provisions of the Act, a community facilities district may issue bonds and may levy and collect special taxes within such district to repay such bonded indebtedness.

Pursuant to the Act, the City Council adopted Resolution No. 99-142 on May 12, 1999, as amended by a resolution adopted by the City Council on June 23, 1999, stating its intent to establish the District, to authorize the issuance of bonds and to hold an election pursuant to the Act. On August 18, 1999, the two landowners who then comprised the qualified electors of the District authorized the District, by passing the ballot measure, to incur bonded indebtedness in an amount not to exceed $35,000,000 to finance the Improvements (defined herein) and approved a rate and method of apportionment of Special Tax for the District (the "Special Tax Formula," as described herein) providing for the levy of a special tax ("the Special Tax" or "Special Taxes") upon certain property in the District. The City has covenanted not to issue any additional bonds secured by the Special Tax in the District other than the Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Special Tax Methodology" and "APPENDIX A — RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX."

The Bonds are being sold to provide the City with a portion of the funds needed to (i) acquire certain roadway, sewer, water and drainage facilities and other public improvements and facilities (the "Improvements" as more particularly described herein) required for development within District, (ii) establish a reserve fund with respect to the Bonds, (iii) provide for approximately 16 months of capitalized interest, and (iv) pay the costs of issuance of the Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS." The amount of Bond proceeds or other security deposited into the Reserve Fund upon issuance of the Bonds will equal the "Reserve Requirement," which is the lesser of (i) 10% of the original principal amount of the Bonds or (ii) 100% of maximum annual debt service on the Bonds, or (iii) 125% of average annual debt service on the Bonds. Construction of the Improvements to be financed with proceeds of the Bonds will commence upon issuance of the Bonds and the owner of the property in the District projects that the Improvements will be substantially completed within 18 months.

The City is located about 16 miles northeast of Sacramento, the State capital, and 110 miles east of San Francisco in California's Sacramento Valley, near the foothills of the Sierra Nevada. With a population of 71,599 as of January 1999, Roseville is the largest city in Placer County in addition to being its residential and industrial center. The City was incorporated April 10, 1909. The City adopted its first charter in 1934 and its present charter in 1955. See Appendix D herein for more information on the City.

The property in the District consists of undeveloped land located in the northwesterly portion of the City. During the past 20 years, the area has been experiencing a transition from largely undeveloped, agriculturally oriented uses toward a mixture of land uses, and this transition has particularly intensified during the past 10 years. The predominant approved urban land uses within the vicinity of the District are single-family residential and commercial uses with recently completed commercial development and substantial retail commercial and residential development currently in progress in areas adjacent to the District.

The properties in the District represent 574.44 gross acres and constitute most of the developable land contemplated to be developed in accordance with the City's the Highland Reserve North Specific Plan (the "Highland Reserve North Specific Plan") land use plan. The Highland Reserve North Specific Plan was adopted by the City Council on August 6, 1997 by Resolution No. 97-213, as amended on June 30, 1998 by Resolution No. 98-240 and encompasses approximately 615.04 gross acres. All of the land within the District is undeveloped and planned for 1,770 single- and multi-family residential units and approximately 168.67 acres of retail commercial development, as contemplated in the Highland Reserve North Specific Plan. See "THE DISTRICT — The Highland Reserve North Specific Plan." The approximately 40.60 gross acres included in the Highland Reserve North Specific Plan but not within the District are east of Stanford Ranch Road and include open space and a parcel which has been improved with a church facility. These parcels were sold by the Developer (described herein) prior to formation of the District.

Within the property in the District, commercial land uses are contemplated in the area along Highway 65 bordering the District and adjacent to an existing recently completed retail commercial area, which includes stores owned or operated by Wal-Mart, Costco and Toys-R-Us. Development adjacent to the District and immediately across Highway 65 also includes a regional shopping mall under construction (Galleria at Roseville) and the first stage of a commercial office development (Creekside Center) under construction. Areas in the District adjacent to the commercial uses and less close to the highway are planned for a network of land subdivisions to be developed largely with a mixture of single- and multi-family housing products. Overall, these housing products will be constructed consistent with the character and composition of numerous other such developments which have been built in proximity to the Highland Reserve North Specific Plan area and the City at large. See "THE DISTRICT — Anticipated Development in the District." The two current owners of property within the District are affiliated entities and are not end-user developers; accordingly, they contemplate overseeing construction of the Improvements to be financed by the Bonds and selling their property to homebuilders or other residential developers, commercial end-users and commercial property developers for development as contemplated by the City in the Highland Reserve North Specific Plan. See "OWNERSHIP OF PROPERTY WITHIN THE DISTRICT — Sale of Property Within the District" below.

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.

The City and the Developer (described herein) have covenanted for the benefit of owners of the Bonds to provide certain financial information and operating data and to provide notices of the occurrence of certain enumerated events. See "CONTINUING DISCLOSURE."

Brief descriptions of the Bonds, the sources of payment for the Bonds, the City, the District, Special Risk Factors, the Fiscal Agent Agreement, the Appraisal, the Special Tax Formula, the CFD Financing Plan and other information are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. The descriptions herein of the Bonds, the Fiscal Agent Agreement, the Special Tax Formula and other documents are qualified in their entirety by reference to each such document and the information with respect thereto included in the Bonds, such Fiscal Agent Agreement and other documents.

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. 99-352 adopted by the City Council on August 18, 1999, and the Act.

The District was established and authorized to incur bonded indebtedness in an aggregate principal amount not to exceed $35,000,000 at a special election in the District held on August 18, 1999 pursuant to the Act. 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 City's Resolution No. 99-350 on August 18, 1999 (the "Resolution of Formation"), the qualified electors were the two landowners (which are affiliated) who were each entitled to cast one vote for each acre or portion of an acre of land owned by such landowner within the District. The two landowners who comprised the qualified voters in the District 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 pursuant to the Fiscal Agent Agreement other than the Bonds.

Description of the Bonds

The Bonds will be issued only as one fully registered Bond for each maturity without coupons in the denomination of $5,000 or any integral multiple thereof, in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), as registered owner of all Bonds. See "THE BONDS — Book-Entry System" below. The Bonds will be dated as of and bear interest from October 1, 1999, at the rates and mature in the amounts and years, as set forth on the cover page hereof. 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.

Interest on the Bonds, computed on the basis of a 360-day year consisting of twelve 30-day months, will be paid in lawful money of the United States of America semiannually on March 1 and September 1 of each year (each an "Interest Payment Date"), commencing March 1, 2000. Interest on the Bonds (including the final interest payment upon maturity or earlier redemption) is payable by check of the Fiscal Agent mailed on the 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 shall be made by wire transfer, or such other method acceptable by the Fiscal Agent, to the Depository (described herein).

Each Bond shall 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 shall 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 shall 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 shall 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 shall 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 "Book-Entry System" below.

Redemption

Optional Redemption. The Bonds shall be subject to optional redemption from any source of available funds prior to maturity, in whole, or in part among maturities as shall be specified by the City and by lot within a maturity, on any Interest Payment Date on or after September 1, 2009, 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:

Redemption Dates	Redemption Price
September 1, 2009 and March 1, 2010	102%
September 1, 2010 and March 1, 2011	101
September 1, 2011 and Interest Payment Dates thereafter	100

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

Redemption Dates	Redemption Price
March 1, 2000 to and including March 1, 2009	103%
September 1, 2009 and March 1, 2010	102
September 1, 2010 and March 1, 2011	101
September 1, 2011 and thereafter	100

The proceeds of any such Prepayment shall be deposited in the Prepayment Account of the Bond Fund and applied by the Fiscal Agent to pay the redemption price of the Bonds.

Mandatory Sinking Fund Redemption. The Term Bonds maturing September 1, 2011 are subject to mandatory sinking payment redemption in part on September 1, 2007, and on each September 1 thereafter to maturity, by lot, at a redemption price equal to one hundred percent (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	Mandatory Redemption Date (September 1)	Sinking Fund Payment
2007	$850,000	2010	$1,010,000
2008	900,000	2011 (maturity)	1,070,000
2009	955,000		

The Term Bonds maturing September 1, 2025 are subject to mandatory sinking payment redemption in part on September 1, 2012, and on each September 1 thereafter to maturity, by lot, at a redemption price equal to one hundred percent (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	Mandatory Redemption Date (September 1)	Sinking Fund Payment
2012	$1,135,000	2019	$1,745,000
2013	1,210,000	2020	1,855,000
2014	1,285,000	2021	1,970,000
2015	1,365,000	2022	2,095,000
2016	1,450,000	2023	2,225,000
2017	1,545,000	2024	2,365,000
2018	1,640,000	2025 (maturity)	2,515,000

The amounts in the foregoing tables shall 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 from prepayments.

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 shall 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 shall not be a condition precedent to such redemption and failure to mail or to receive any such notice, or any defect therein, shall not affect the validity of the proceedings for the redemption of such Bonds.

Such notice shall state the redemption date and the redemption price and, if less than all of the then Outstanding Bonds are to be called for redemption, shall 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 shall 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, shall state as to any Bond called in part the principal amount thereof to be redeemed, and shall require that such Bonds be then surrendered at the Principal Office of the Fiscal Agent for redemption at the said redemption price, and shall 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 shall, 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 shall 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 shall deem appropriate. Upon surrender of Bonds redeemed in part only, the City shall execute and the Fiscal Agent shall 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 shall have been deposited in the Bond Fund, such Bonds so called shall 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 shall 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 shall be made in accordance with DTC procedures. See "Book-Entry System" 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 shall be surrendered for transfer or exchange, the City shall execute and the Fiscal Agent shall 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 shall be paid by the City. The Fiscal Agent shall 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 shall 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 shall become mutilated, the City shall execute, and the Fiscal Agent shall 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 shall be canceled by it and destroyed by the Fiscal Agent who shall deliver a certificate of destruction thereof to the City. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Fiscal Agent and, if such evidence be satisfactory to it and indemnity for the Fiscal Agent and the City satisfactory to the Fiscal Agent shall be given, the City shall execute, and the Fiscal Agent shall 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.

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.

For information on DTC's Year 2000 computer operations, see "SPECIAL RISK FACTORS – Year 2000 Computer Compliance."

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 and Exchange of Bonds" above.

ESTIMATED SOURCES AND USES OF FUNDS

A summary of the estimated sources and uses of funds associated with the sale of the Bonds, exclusive of accrued interest, follows:

Estimated Sources of Funds:	
Principal Amount of Bonds	$33,470,000.00
Less: Original Issue Discount	15,436.30
Total	$33,454,563.70
Estimated Uses of Funds:	
Deposit to Improvement Fund	$27,547,400.00
Deposit to Reserve Fund	2,676,172.50
Deposit to Bond Fund (1)	2,595,881.20
Costs of Issuance (2)	635,110.00
Total	$33,454,563.70

(1) *Represents approximately 16 months of capitalized interest.*

(2) *Includes fees of Bond Counsel, initial fees, expenses and charges of the Fiscal Agent, costs of printing the Official Statement, administrative fees of the City, Underwriter's discount 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 shall 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 properties in the District. As the parcels are subdivided for development, a portion of the Special Tax will be allocated to each subdivided parcel according to the Special Tax Formula. Interest and principal on the Bonds is payable from the annual Special Taxes to be levied and collected on 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 XIIIA 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 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 Special Tax. The Special Taxes and any interest earned on the Special Taxes shall 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 shall not be used for any other purpose, except as permitted by the Fiscal Agent Agreement, and shall be held in trust for the benefit of the owners thereof and shall be applied pursuant to the Fiscal Agent Agreement. The Special Tax Formula apportions the Annual Costs (as defined in the Special Tax Formula) 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 has covenanted to annually levy, beginning in fiscal year 2000-01, the Special Taxes in an amount sufficient to pay the Annual Costs. Approximately 16 months of bond interest payments have been capitalized from proceeds of the Bonds. Thereafter, the City may levy the Special Tax at the Maximum Special Tax rate authorized by the qualified electors within the District as set forth in the Special Tax Formula if conditions so require. Because each Special Tax levy is limited to the Maximum 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.

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 (defined terms set forth below in this section have the meanings set forth in the Special Tax Formula) set forth in "APPENDIX A — RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX." 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) replenishment of the Reserve Fund; (iii) anticipated Special Tax delinquencies; (iv) administration of the District; and (v) at the discretion of the City, reimbursements to the landowners or others for expenditures for costs of the Improvements not funded from Bond proceeds. The Annual Costs are the basis of 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 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 and parcels that have prepaid their special tax 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 Special Tax. The Special Tax Formula describes in detail the precise method for assigning the Maximum Special Tax to parcels within the District, which generally provides that each year the Administrator will use the definitions contained in the Special Tax Formula to classify each parcel as tax-exempt or taxable. The Special Tax Formula assigns a total maximum tax to the existing Original Parcels and then reallocates the tax to Successor Parcels based on pro rata share of net developable area. If a parcel is subdivided into single-family residential lots, the Maximum Special Tax is divided equally among the subdivided lots.

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 Improvements 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 2034-35. When all Annual Costs incurred by the District have been paid, the Special Tax will cease to be levied.

Prepayment of the Special Tax. Landowners may permanently satisfy all or a portion of the Special Tax by a cash settlement with the City as permitted under Government Code Section 53344. Prepayment is permitted only under the following conditions (capitalized terms have the meanings set forth in the Special Tax Formula):

- The Parcel is a whole Original Parcel greater than one acre or a Successor Parcel greater than ten acres.

- The City determines that the Prepayment of the Special Tax does not jeopardize its ability to make timely payments of debt service on outstanding Bonds.

- Any landowner prepaying the Special Tax must pay any and all delinquent Special Taxes and penalties for the prepaying Parcel.

- Prior to the calculation of the Prepayment amount, the landowner must notify the City whether such landowner intends to execute a full Prepayment or Partial Prepayment. If the landowner intends to execute a Partial Prepayment, the landowner shall further notify the City of the dollar amount of the intended Prepayment. In no event shall a Partial Prepayment be for less than twenty-five percent (25%) of the full Prepayment amount.

The Prepayment amount shall be established by following the procedures described in the Special Tax Formula. Once Bonds are sold, parcels wishing to prepay must prepay their share of outstanding Bonds; parcels wishing to prepay prior to the sale of Bonds may pay the allocated amount of anticipated construction proceeds plus any costs incurred by the City in the formation of the District and the calculation or application of the Prepayment proceeds. No parcels have prepaid the Special Tax prior to the date of sale of the Bonds.

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 at the discretion of the City, reimbursements for expenditures for costs of the Improvements not funded from Bond proceeds. In no event may the City levy a Special Tax in any year above the Maximum Special Tax identified for each parcel in the Special Tax Formula. The annual Maximum Special Tax per parcel is based on a $1,308 per unit tax for low-density residential parcels, $1,080 per unit for medium-density residential parcels and $504 per unit for high-density residential units. Because the Maximum Special Taxes are set on a per-parcel basis, the actual tax rate per unit will vary if the actual number of units developed on an Original Parcel is different than anticipated. For non-residential parcels, the annual Special Tax is $6,600 per acre for all parcels except Parcel No. 45A. The Special Tax for parcel 45A (the parcel in escrow for sale to Home Depot, as described herein) is set at $826 per acre and is reflective of infrastructure funding which the owner of this parcel has agreed to fund from its own sources and the proximity of the parcel to available utilities. The total Maximum Special Tax levy for the 2000-2001 fiscal year is expected to be approximately $2,942,937, which would provide annual debt service coverage on the Bonds of approximately 110% for fiscal year 2000-2001. See "SECURITY AND SOURCES OF PAYMENTS FOR THE BONDS — Special Tax Methodology" above. See also "APPENDIX A - RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX." The Fiscal Agent Agreement provides that no additional bonds secured by the levy of Special Tax may be issued.

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 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 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.

All Special Tax Revenue will 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 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 shall occur on or after September 15th of each year.

Moneys in the Surplus Account may, at the City's discretion, be used to pay for the cost of Improvements not financed from proceeds of the Bonds, the principal of, premium, if any, and interest on the Bonds or to replenish the Reserve Fund to the amount of the Reserve Requirement. From time to time, the City may also withdraw from Debt Service Account and/or the Surplus Account of the Special Tax Fund amounts needed to pay the City Administrative Expenses; provided that such transfers may not be in excess of the portion of the Special Tax Revenues collected by the City that represent levies for Administrative Expenses.

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 shall be paid to the Fiscal Agent, who shall deposit such proceeds in the Improvement Fund, Reserve Fund and Costs of Issuance Fund established under the Fiscal Agent Agreement. In addition to accrued interest, an amount of capitalized interest sufficient to pay approximately 16 months of interest on the Bonds will be deposited in the Bond Fund and used to make the full payments of interest on the Bonds through and including the payment due on September 1, 2000 and a portion of the payment due on March 1, 2001. 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 Special Tax rates set forth in the Special Tax Formula, the City may adjust (but not to exceed the Maximum Special Tax) the Special Taxes levied on all property within the District subject to the Special Tax to provide an amount required to pay interest 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."

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 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 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 shall transfer an amount equal to the excess from the Reserve Fund to the Bond Fund to be used for the payment of the principal of and interest on the Bonds, 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 shall 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 shall remain therein until the balance exceeds the Reserve Requirement; any amounts in excess of the Reserve Requirement shall 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 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

Under the Fiscal Agent Agreement, there is established an Improvement Fund, which is to be held in trust by the City and shall 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 shall be retained in the Improvement Fund to be used for the purposes of the Improvement Fund. Upon completion of the Improvements, 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.

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.

HIGHLAND RESERVE NORTH COMMUNITY FACILITIES DISTRICT NO. 1
SPECIAL TAX BONDS SERIES 1999
Debt Service

Year Ending (September 1)	Principal	Interest	Total
2000		$1,872,862.29 (1)	$1,872,862.29
2001	$630,000	2,043,122.50 (2)	2,673,122.50
2002	660,000	2,013,512.50	2,673,512.50
2003	695,000	1,981,172.50	2,676,172.50
2004	730,000	1,945,727.50	2,675,727.50
2005	765,000	1,908,315.00	2,673,315.00
2006	805,000	1,867,770.00	2,672,770.00
2007	850,000	1,824,300.00	2,674,300.00
2008	900,000	1,773,300.00	2,673,300.00
2009	955,000	1,719,300.00	2,674,300.00
2010	1,010,000	1,662,000.00	2,672,000.00
2011	1,070,000	1,601,400.00	2,671,400.00
2012	1,135,000	1,537,200.00	2,672,200.00
2013	1,210,000	1,465,695.00	2,675,695.00
2014	1,285,000	1,389,465.00	2,674,465.00
2015	1,365,000	1,308,510.00	2,673,510.00
2016	1,450,000	1,222,515.00	2,672,515.00
2017	1,545,000	1,131,165.00	2,676,165.00
2018	1,640,000	1,033,830.00	2,673,830.00
2019	1,745,000	930,510.00	2,675,510.00
2020	1,855,000	820,575.00	2,675,575.00
2021	1,970,000	703,710.00	2,673,710.00
2022	2,095,000	579,600.00	2,674,600.00
2023	2,225,000	447,615.00	2,672,615.00
2024	2,365,000	307,440.00	2,672,440.00
2025	2,515,000	158,445.00	2,673,445.00
TOTAL	$33,470,000	$35,249,057.29	$68,719,057.29

(1) *Interest for such period is capitalized from the proceeds of the Bonds.*

(2) *A portion of the interest for such period is capitalized from the proceeds of the Bonds.*

THE DISTRICT

General

On May 12, 1999, the City Council adopted an initial 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. This Resolution of Intention was superceded by an Amended Resolution of Intention adopted on June 23, 1999. After conducting a noticed public hearing, on August 18, 1999, the City Council adopted the Resolution of Formation, which established Highland Reserve North 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 $35,000,000. 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.

On August 18, 1999 an election was held within the District in which the two landowners eligible to vote unanimously approved the proposed bonded indebtedness and the levy of the Special Tax. The owners of the six County Assessor's parcels comprising all the property within the District at the time it was formed contemplate subdividing the property, primarily for residential and commercial use in accordance with the Highland Reserve North Specific Plan (described below), and selling parcels to merchant builders for further subdivision and development as contemplated by the City in the Highland Reserve North Specific Plan. Marketing of land within the District has commenced and the sale of two parcels of approximately 14 and 18 acres to a retail user and a retail developer is projected by the landowners to close in December 1999. See "OWNERSHIP OF PROPERTY WITHIN THE DISTRICT" below.

Location of the District

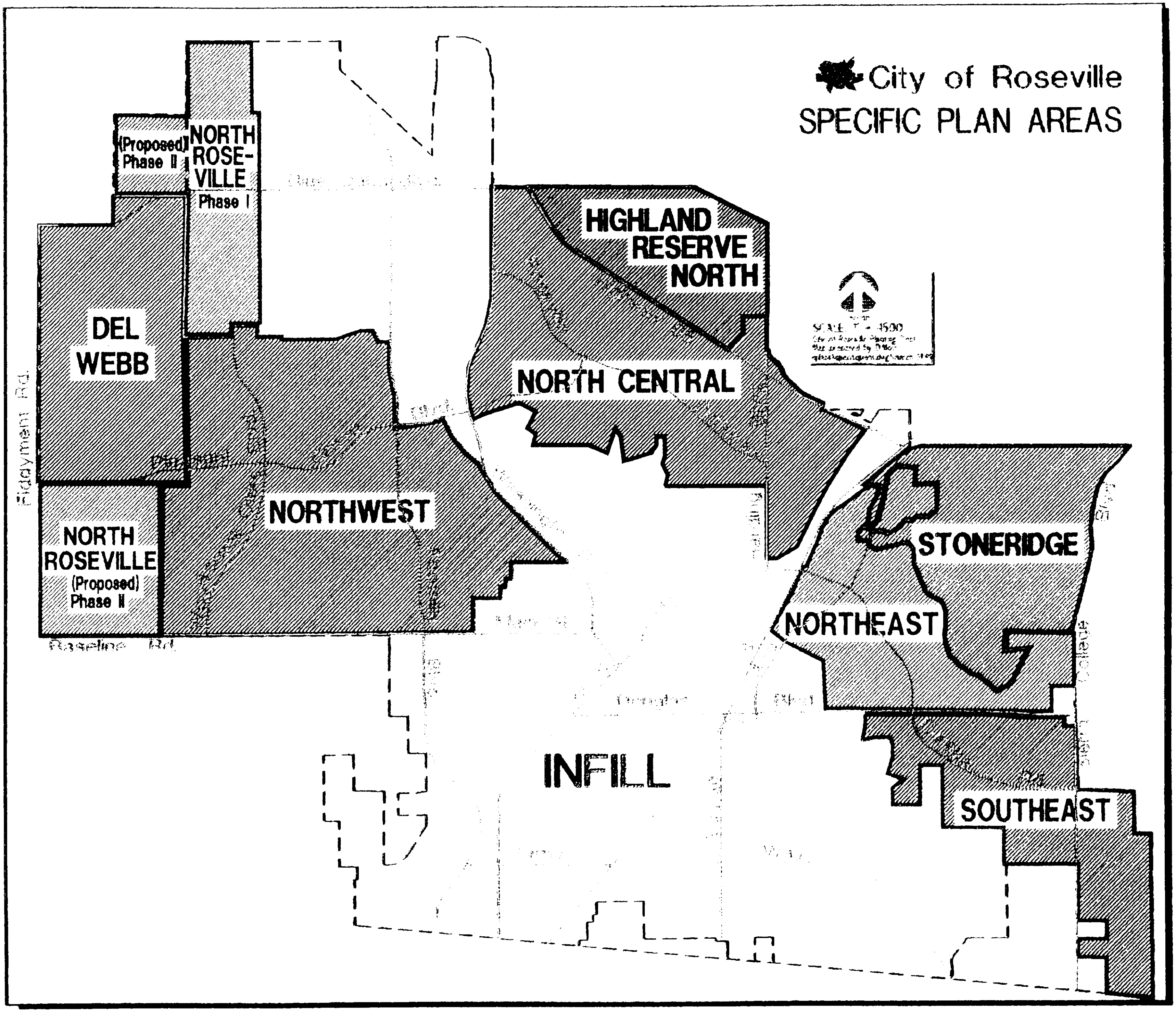
The District encompasses approximately 575 gross acres of land of which approximately 473 acres are planned for residential and commercial uses and are subject to the lien of the Special Tax securing the Bonds The remaining 102 acres of the District represent park, open space and other public uses. All of the property in the District is located within the City's 615-acre Highland Reserve North Specific Plan area. The 40 acres of property not in the District but within the Highland Reserve North Specific Plan area consist of two parcels, one is designated for open space and one is developed for church uses. These parcels were sold by the Developer prior to formation of the District. The specific plan area is generally bounded by the Blue Oaks Boulevard/Highway 65 interchange on the west, Stanford Ranch Road and the City limits on the east, the State Highway 65 bypass on the south and the city of Rocklin on the north. The District is located three miles north of downtown Roseville and is primarily accessed by Highway 65 and is in close proximity to the Highway 65 interchange with Interstate 80. In addition to the existing interchange at Highway 65 and Stanford Ranch Road and the nearby interchange of Highway 65 and Interstate 80, local development plans provide for the construction of two new Highway 65 interchanges which will directly serve property in the District and are planned to be open by the end of 2000. After construction of these two interchanges, at the yet to be constructed extension of Pleasant Grove Boulevard in the central portion of the District and at Washington Boulevard and Blue Oaks Road at the northwest end of the District, regional access to the District will be directly from any of three highway interchanges. A portion of these improvements are to be funded with proceeds of the Bonds. See "THE IMPROVEMENTS."

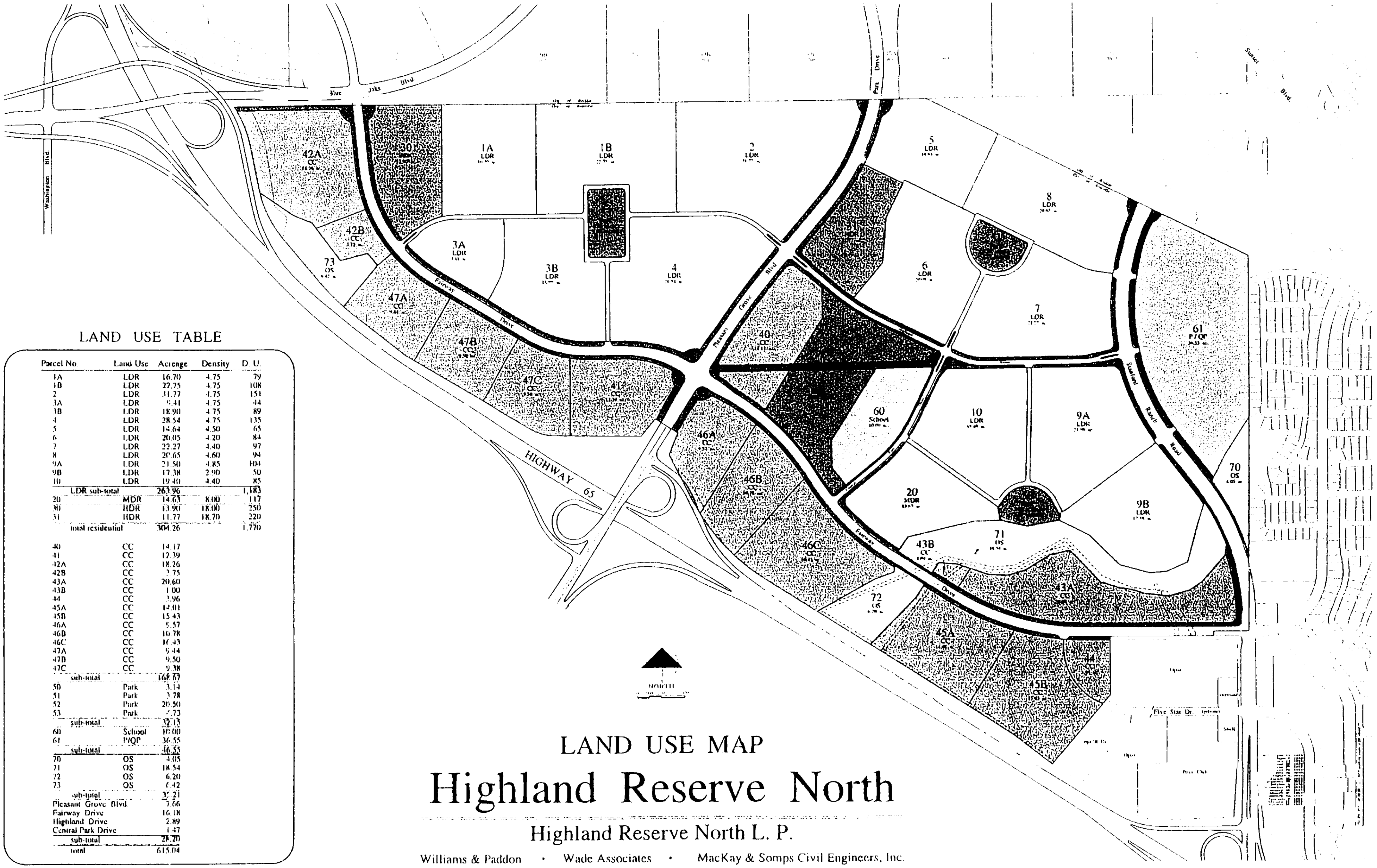
The northern and eastern borders of the District are contiguous with a portion of the northern and eastern borders of the City. Land within the District comprises nearly all of the land within the City north of Highway 65. The area within the District is currently undeveloped vacant land. It includes approximately two miles of frontage along Highway 65 and is highly visible from the highway. Its proximity to the site of the Galleria Regional Mall (under construction on the opposite side of Highway 65 in the North Central Roseville Specific Plan area), coupled with the existing adjacent retail development (including Wal-Mart, Toys-R-Us and Costco), provide good access to retail services. During the past 20 years, significant portions of the City and adjacent areas have experienced a transition from largely undeveloped, agriculturally oriented uses toward a mixture of urban land uses, and this transition has particularly intensified in the City during the past 10 years. Property in the District is adjacent to recent growth areas of both the Cities of Roseville and Rocklin and is partially bordering recently constructed commercial development and surrounded by new and currently developing single-family and multi-family residential developments. A substantial portion of the adjacent recent construction is located in the partially developed North Central Roseville Specific Plan area, which lies south of the District. Property in the District was formerly designated as "urban reserve" land under the North Central Roseville Specific Plan, and became the subject of its own specific plan in June, 1997. The projected population within the District at total build out is estimated by the City to be approximately 4,500.

The District is within approximately two miles of the Sunset Industrial Area (in unincorporated Placer County) and the North Industrial Planning Area of the City. These areas collectively encompass approximately 10,000 acres, are recognized as a significant existing and potential employment base within the region, and include the approximate 487-acre Hewlett-Packard and approximate 154-acre NEC Electronics existing facilities in the North Industrial Planning Area. Expansion of both of these facilities has occurred over the years, and each company holds additional vacant land. Currently, these two firms collectively employ approximately 6,000. Development of these campuses initially began in 1978 and 1982, respectively, and each has significant frontage on Foothills Boulevard and is easily accessible to the District. Developments located on the north side of Blue Oaks Boulevard include the existing 171-acre Foothills Center Business Park and the proposed 98-acre Roseville Technology Park. The area to the northwest of these developments is currently undeveloped and outside the City limits and will likely remain so for several years as the necessary infrastructure has yet to be extended, and other more readily developable land has yet to be absorbed.

An aerial photograph of the vicinity of the District, a map of the major planning areas of the City and a diagram of the major parcels in the District are shown on the following pages.

RESERVE
Roseville, California
(916) 782-3330
NORTH
Date Flown: 2.11.99
Altitude: 16,000'
Placer County
City of Roseville
REYNOLDS METALS
PLACER INDUSTRIAL PARK
GAP
WELLS FARGO
STANFORD RANCH
SUNSET-WHITNEY COUNTRY CLUB
CREEKSIDE INDUSTRIAL PARK
DIAMOND CREEK
HEWLETT PACKARD
H.B. FULLER
SUNSET WEST
FOOTHILL BUSINESS PARK
H.P. DISTRIBUTION CENTER
ESKATON
ALBERTSONS DISTRIBUTION CENTER
SACRAMENTO BEE
DISTRICT
WOODCREEK NORTH
HEWLETT PACKARD
HIGHWAY 65
HOME DEPOT
ROCKLIN
AMERICAN OLEAN TILE
ROSEVILLE TELEPHONE
COSTCO TOYS-R-US
DEL WEBB SUN CITY ROSEVILLE
WOODCREEK OAKS GOLF COURSE
WALMART
GALLERIA
NORTHWEST ROSEVILLE SPECIFIC PLAN AREA
DIAMOND OAKS MUNICIPAL GOLF COURSE
SUTTER ROSEVILLE MEDICAL CENTER
SIERRA VIEW COUNTRY CLUB
INTERSTATE 80
City of Roseville
WOODCREEK WEST
3M
CENTER POINTE HOME DEPOT
ROSEVILLE AUTO MALL
ROSEVILLE
KAISER HOSPITAL


City of Roseville
SPECIFIC PLAN AREAS
SCALE 1" = 4500
HIGHLAND RESERVE NORTH
NORTH CENTRAL
NORTH ROSEVILLE Phase I
(Proposed) Phase II
DEL WEBB
NORTHWEST
NORTH ROSEVILLE (Proposed) Phase II
STONERIDGE
NORTHEAST
SOUTHEAST
INFILL
Fiddyment Rd.
Baseline Rd.
Douglas Blvd
College



LAND USE TABLE

Parcel No.	Land Use	Acreage	Density	D. U.
1A	LDR	16.70	4.75	79
1B	LDR	22.75	4.75	108
2	LDR	31.77	4.75	151
3A	LDR	9.41	4.75	44
3B	LDR	18.90	4.75	89
4	LDR	28.54	4.75	135
5	LDR	14.64	4.50	65
6	LDR	20.05	4.20	84
7	LDR	22.27	4.40	97
8	LDR	20.65	4.60	94
9A	LDR	21.50	4.85	104
9B	LDR	17.38	2.90	50
10	LDR	19.40	4.40	85
LDR sub-total		263.96		1,183
20	MDR	14.63	8.00	117
30	HDR	13.90	18.00	250
31	HDR	11.77	18.70	220
total residential		304.26		1,770
40	CC	14.17		
41	CC	12.39		
42A	CC	18.26		
42B	CC	2.75		
43A	CC	20.60		
43B	CC	1.00		
44	CC	3.96		
45A	CC	14.01		
45B	CC	15.43		
46A	CC	9.57		
46B	CC	10.78		
46C	CC	16.43		
47A	CC	9.44		
47B	CC	9.50		
47C	CC	9.38		
sub-total		168.67		
50	Park	3.14		
51	Park	3.78		
52	Park	20.50		
53	Park	4.73		
sub-total		32.15		
60	School	10.00		
61	P/QP	36.55		
sub-total		46.55		
70	OS	4.05		
71	OS	18.54		
72	OS	6.20		
73	OS	6.42		
sub-total		35.21		
Pleasant Grove Blvd		7.66		
Fairway Drive		16.18		
Highland Drive		2.89		
Central Park Drive		1.47		
sub-total		28.20		
total		615.04		

LAND USE MAP

Highland Reserve North

Highland Reserve North L. P.

Williams & Paddon • Wade Associates • MacKay & Somps Civil Engineers, Inc.

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, significant 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, and the 1990 census indicated that approximately 40% of the labor force left the County each day to drive to work. However, in recent years, significant 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 substantial 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 the nearby City of Lincoln. Lincoln has been the focus of some new development in recent years, and substantial residential and commercial development is underway or proposed for the City of Lincoln and nearby project areas in the future. Within the 3,000-acre Sunset Industrial District of Lincoln and along State Highway 65 in the vicinity of Lincoln 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 greatly 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 225,900 in January 1999, which represents an increase of approximately 26% over that reported in the 1990 census. By 2005, the County's population is projected to grow to approximately 286,100, an increase of 31% over the 1998 estimate. 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 8,250 increasing to a projected 15,000 by 2005.

Southwestern Placer County and the State Highway 65 corridor in particular have also emerged as a major high-technology development hub 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 approximately 7,000. In northeastern Roseville, Minnesota Mining and Manufacturing Company purchased a ±130-acre research and development campus in 1989, and in Rocklin, Wells Fargo Bank purchased a ±113-acre site in the Stanford Ranch community in 1990 that has been proposed for the development of a data processing facility. While these latter campuses currently remain undeveloped, Oracle Corporation, the world's second-largest software company, purchased a ±35-acre site in Stanford Ranch in January 1997 for the development of a ±100,000 square-foot data processing facility, the first phase of which has opened and is projected to employ about 450 by the end of 1999. Oracle has also acquired an option to purchase an adjacent ±20 acres, with future phases expected to include research and development operations as well. On a smaller scale, numerous industrial-office properties have also been developed in the area that cater to the needs of the construction trades, private suppliers and the existing industrial and high technology companies. Development of a regional mall adjacent to Highway 65 in Roseville, to be known as Galleria at Roseville and which will include Nordstrom and other well-known retailers, is underway and projected for completion in 2000.

The Placer County Board of Supervisors recently demonstrated its determination to build a stronger economic base for the future by approving the Sunset Industrial Area Plan, which earmarks about 8,900 acres of 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 experienced substantial new development and job growth during the past four years. This growth is largely attributable to the City's proximity to several rapidly growing, 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 Zytec 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 warehouser and distribution firm for Hewlett-Packard, has also chosen to locate in the park and is in the process of completing a 400,000 square-foot facility. Total employment at these five firms is approximately 3,000.

One of the more significant recently completed residential developments in southwestern Placer County is Del Webb's Sun City retirement community in Roseville. The project was completed in early 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 has also prompted the Del Webb Corporation to select nearby Lincoln as the location of a similar project. Sales of homes began in February 1999, with marketing being directed throughout the western United States, and construction is underway within 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 approximately 200 of the initial homes in the project.

In addition to the large number of 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 southeast 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 three community colleges, McGeorge School of Law of the University of the Pacific, California State University at Sacramento, University of California at Davis, and UC Medical School in Sacramento.

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 a strong population growth trend in recent years and has outperformed the regional economy in general. Improved economic and market conditions, particularly in the area along the Interstate 80 corridor, suggest that urban development in and around Roseville, Rocklin and Lincoln will continue. The immediate area is regarded as a desirable residential location, with good proximity to major transportation corridors, growing employment centers, and an expanding base of supporting commercial services.

The Highland Reserve North Specific Plan

The District encompasses approximately 575 acres of the approximately 615-acres within the Highland Reserve North Specific Plan, which was adopted by the City Council on August 6, 1997. The portion of the Highland Reserve North Specific Plan not in the District include a 36.55-acre parcel designated in the plan for a church use and a 4.05-acre open space parcel. These parcels were formerly owned by the Developer and sold prior to formation of the District. The specific plan area was created as a result of an amendment to the North Central Roseville Specific Plan adopted by the City Council on July 5, 1990, of which the land in the District was previously a part. All of the land within the District is undeveloped and planned for development as set forth in the Highland Reserve North Specific Plan. Parcel number designations used herein correspond to the parcel number designations referred to in the Highland Reserve North Specific Plan.

The following table outlines the specific plan uses within the Highland Reserve North Specific Plan area.

Land Use Category	Gross Acres	% of Total Acres
Open Space/Watershed Corridors(1)	35.21	5.7%
Park and Recreation	32.15	5.2%
Residential(2)	304.26	49.5%
Commercial(2)	168.67	27.4%
Public Elementary School	10.00	1.6%
Public/Quasi Public (Church/Private School)(3)	36.55	6.0%
Right of Way	28.20	4.6%
Total	**615.04**	**100.0%**

(1) 4.05-acres not in the District.

(2) Subject to the Special Tax lien securing the Bonds.

(3) This parcel not in the District; improved with a church.

Source: Highland Reserve North Specific Plan.

Land Use. The Highland Reserve North Specific Plan combines a land use and circulation plan, affordable housing program, resource management strategy, development standards and an integral, comprehensive infrastructure plan in a single document and provides for a mix of residential neighborhood, schools, parks, and commercial land uses. The prominent land uses within the District include single family detached residential, multi-family attached residential, commercial, parks and school uses. The plan is organized around the following five key concepts for development:

1. The Village Square. The Village Square is planned to consist of approximately 45 acres located centrally in the District. This acreage is intended to have a pedestrian oriented community center theme and is envisioned as the traditional "town center" that serves as the social, shopping, recreational, and leisure center of the community. Three general uses are split among three adjacent parcels: Parcel 40, a 14.17 acre parcel designated as a neighborhood commercial center, Parcel 52, a 20.5 acre parcel designated as a large community park, and Parcel 60, a 10 acre parcel designated as an elementary school.

2. Traditional neighborhoods organized around neighborhood parks. The residential parcels are organized in three distinct neighborhoods, each oriented around small interior neighborhood parks intended as a place for residents and children to meet, socialize and play.

3. Pedestrian pathway system. A walkway system is intended to link the residential neighborhoods and neighborhood parks with the Village Square. The walkways will extend from a primary pedestrian loop into the neighborhoods and will also connect to the City-wide biking system.

4. Highway oriented commercial buffer. A regional commercial band adjacent to Highway 65 will make use of the freeway access and visibility, and it will serve as a transitional buffer for the neighborhoods to the north of the freeway.

5. Preservation and utilization of open space. Approximately 68 acres of the total land area within the plan is designated for open space uses, including the neighborhood parks, the central park, and the watershed corridors.

Land Use Zones Under the Specific Plan. The following is a description of the land uses within the District as designated by the Highland Reserve North Specific Plan.

Low Density Residential ("LDR"). The City General Plan land use designation for this use is Low Density Residential, and the zoning district is RS/DS (Small Lot Residential -- Development Standard Overlay). This designation is intended for attached or detached single family units, or similar or related compatible uses, with a density level ranging from 1.0 to 6.9 density units per acre. The LDR uses account for a total 1,183 units within the District. The types of lots anticipated in this density range include small lots and clustered lots as well as conventional lots. It is anticipated that one or more of the LDR large lot parcels may be developed as a medium density residential small lot subdivision (described in more detail below).

There are five density categories extracted from the units per parcel and parcel acreages for which provision is made in the specific plan. The list below shows the density range anticipated by the Developer.

Parcels 1A, 1B, 2, 3A, 3B, 4	Densities ranging from 4.68 to 4.75 Dwelling Units/Acre (DU/Ac)
Parcel 9A	Density of 4.84 DU/Ac
Parcels 5, 8	Densities ranging from 4.44 to 4.55 DU/Ac
Parcel 6	Density of 4.14 DU/Ac
Parcel 7, 10	Densities ranging from 4.31 to 4.38 DU/Ac
Parcel 9B	Density of 2.88 DU/Ac

Medium Density Residential ("MDR"). The City General Plan land use designation for this use is Medium Density Residential, and the zoning district is RS (Small Lot Residential). This designation is intended for a wide variety of unit types with density levels ranging from 7.0 to 12.9 density units per acre. The Medium Density Residential designation anticipates small lots, or, more typically, attached dwelling units, at an average density of approximately 8.0 dwelling units per acre, accounting for a total of 117 units in the Highland Reserve North Specific Plan area. The present MDR component is located on Parcel 20, which is an approximate 14.63 acre parcel in close proximity to the Village Square parcels (Nos. 40, 52 and 60). It is anticipated that within the Highland Reserve North Specific Plan area one or more of the LDR large lot parcels may be developed as an MDR small lot subdivision.

High Density Residential ("HDR"). The City General Plan land use designation for this use is High Density Residential, and the zoning district is R3 (Attached Housing). The R-3 district is intended for multiple-family housing. The types of land uses intended for the R-3 zoning district include apartments, condominiums, townhomes, and similar and related compatible uses. The Specific Plan provides for two multi-family residential sites. The two sites will account for a total of approximately 470 dwelling units in this HDR category, and they reflect an average density of 18 to 19 dwelling units per acre.

Commercial Land Uses. Commercial development under the Highland Reserve North Specific Plan is intended to provide a mix of shops and services for plan area residents as well as serving as destination shopping for other nearby communities. Regional access will be from Highway 65 and the nearby interchange of Highway 65 and Interstate 80. From Highway 65 access will be via the planned Pleasant Grove Boulevard and Blue Oaks Boulevard interchanges and the existing Stanford Ranch Road interchange. The commercial sites are intended to be pedestrian oriented, as well as auto oriented. The two primary commercial proposed land uses in the Highland Reserve North Specific Plan area consist of Village Square Commercial and Community Commercial. (Highway Commercial and Business-Professional Commercial uses are also anticipated within the two primary categories.)

Village Square Commercial. The City General Plan land use designation for this use is Community Commercial, and the zoning district is CC/SA (Community Commercial -- Special Overlay). The Village Square Commercial site, Parcel 40, is intended to have a neighborhood focus and serve as a primary focal and activity center for the community's residents. It may include such uses as retail shops, services and restaurants to meet the convenience shopping needs of the residents and employees in the Highland Reserve North Specific Plan area. It may also be utilized for office uses. A special overlay district has been applied, modifying the uses otherwise permitted by the Community Commercial zone district, and prohibiting uses that may conflict with adjacent uses or that may be considered inconsistent with the Village Square character. (Extensive design guidelines pertaining to the Village Square have been included in the Highland Reserve North Specific Plan.)

Community Commercial. The City General Plan land use designation for this use is Community Commercial, and the zoning district is CC/SA (Community Commercial -- Special Overlay). The Community Commercial land use sites are intended to serve the principal retail shopping needs of the entire community by providing areas for shopping centers, and other retail and service uses. The sites are also intended to serve as destination shopping for other nearby communities. The commercial uses are considered an extension of the approved commercial uses on the adjacent North Central Roseville Specific Plan power center site, and are expected to complement the regional mall and associated commercial uses south of Highway 65. It is anticipated that the Highway 65 freeway frontage will be well suited to a mix of commercial and office park environments, as well as business professional uses.

The table below presents the current land use entitlements of properties in the District for which provision is made in the Highland Reserve North Specific Plan and Development Agreement (as described herein). For parcels subject to the lien of the Special Tax, the parcel size and planned use shown was used as a basis for the valuation presented in the appraisal report referred to herein under the caption "APPRAISAL OF PROPERTY WITHIN THE DISTRICT." The two parcels in the Highland Reserve North Specific Plan area (Parcels 61 and 70) which are not in the District are not included in the table. They collectively represent 40.6 acres; one parcel is designated for open space and one is developed for church uses. These parcels were sold by the Developer prior to formation of the District.

Highland Reserve North Community Facilities District No. 1
Land Uses By Parcel

Subd. Map Lot #	Zoning/Spec. Plan Land Use Design.	Property Type	Acreage	Resid. Units
9B	LDR	Res. Single-Family	17.38	50
6	LDR	Res. Single-Family	20.05	83
7	LDR	Res. Single-Family	22.27	96
10	LDR	Res. Single-Family	19.4	85
5	LDR	Res. Single-Family	14.64	65
8	LDR	Res. Single-Family	20.65	94
1A	LDR	Res. Single-Family	16.70	79
1B	LDR	Res. Single-Family	22.75	108
2	LDR	Res. Single-Family	31.77	151
3A	LDR	Res. Single-Family	9.41	44
3B	LDR	Res. Single-Family	18.90	89
4	LDR	Res. Single-Family	28.54	135
9A	LDR	Res. Single-Family	21.50	104
20	MDR	Res. MD Lots	14.63	117
30	HDR	Res. Multi-Family	13.90	250
31	HDR	Res. Multi-Family	11.77	220
SUBTOTAL - Residential:			**304.26**	**1,770**
40	Village Square	Commercial	14.17	N/A
43A	CC	Commercial	20.6	N/A
43B	CC	Commercial	1.00	N/A
44	CC	Commercial	3.96	N/A
45A	CC	Commercial	14.01	N/A
45B	CC	Commercial	15.43	N/A
46A	CC	Commercial	9.57	N/A
46B	CC	Commercial	10.78	N/A
46C	CC	Commercial	16.43	N/A
41	CC	Commercial	12.39	N/A
42A	CC	Commercial	18.26	N/A
42B	CC	Commercial	3.75	N/A
47A	CC	Commercial	9.44	N/A
47B	CC	Commercial	9.50	N/A
47C	CC	Commercial	9.38	N/A
SUBTOTAL - Commercial:			**168.67**	**N/A**
TOTAL: Parcels Subject to Special Tax Lien:			472.93	1,770
School/Parks/Rights of Way/Open Space Parcels$^{(1)}$			101.51	N/A
GRAND TOTAL:			574.44	1,770

(1) Does not represent security for the Bonds.

Source: Bender Rosenthal.

Residential Land Uses Under the Specific Plan. The 1,770 units of Highland Reserve North Specific Plan residential uses include 1,300 single family detached units spread over 14 large lot parcels and 470 multi-family apartment units divided between two parcels. Under the Highland Reserve North specific plan and Development Agreement, each residential-zoned parcel is allocated a specific number of units and a density based on the number of allocated units per net acre (excluding non-intract public streets). In order to accommodate changes in market demand and subdivision design considerations, the specific plan and Development Agreement allow the transfer of units allocated to any low or medium density residential parcel to another Highland Reserve North low or medium density residential parcel or parcels, provided the number of units allocated to a particular parcel cannot change by more than 20% and there are no new environmental impacts. The single family residential parcels range in density from 2.9 units per acre to 8.0 units per acre, with the majority of the units falling in the 4.2 to 4.85 units per acre range. Multi-family residential densities range from 18 to 18.7 units per acre.

The residential portions of the District are organized in three distinct neighborhoods surrounding the Village Square on three sides. Each neighborhood is oriented around an interior neighborhood park and is buffered from the Highway 65 traffic and noise by a band of non-residential parcels situated along the Highway 65 frontage.

Highland Reserve North Development Agreement. Concurrent with the approval of the Highland Reserve North Specific Plan, the City of Roseville adopted the Development Agreement by and between the City and Highland Reserve North, L.P. (the "Development Agreement"). Subject to the provisions and conditions of the Development Agreement, the City granted a fully vested entitlement and right to develop the property within the District in accordance with the terms and conditions of the Development Agreement and the other entitlements, including the Highland Reserve North Specific Plan. The vested entitlements include the following land uses for the property: 168.67 acres of Community Commercial use, 36.55 acres of Public/Quasi-Public use, 32.15 acres of Park use, 10.00 acres of School use, 34.29 acres of Open Space use and 1,770 dwelling units for Residential use, all as set forth and defined in the Highland Reserve North Specific Plan and the Zoning Ordinance of the City. See "Development Agreement" below.

Adjacent Land Uses in the City

Land within the District is adjacent to recent growth areas of the City and is partially bordering recently constructed commercial development. The District is across Highway 65 from new and currently developing single-family residential developments. Most of the adjacent recent construction is located in the partially developed North Central Roseville Specific Plan area, which lies southwest of the District on the opposite side of Highway 65. Initial residential and commercial development in the adjacent North Central Roseville Specific Plan area progressed more slowly than originally anticipated by the City and the developers, due to the economy within the area and the State as well as ownership issues with respect to the property in that area. With the construction of a regional mall underway and an improved economy, market interest in commercial projects, residential development, and other types of development has been strengthened.

The North Central Roseville Specific Plan area. As of June 1999, approximately 28% of the approximate 1,220 gross acres of developable land planned for commercial or residential uses within the North Central Roseville Specific Plan area had been improved or had construction underway on the parcels. This land includes single family residential property, multi-family residential property, commercial property, including a 94.2-acre regional mall site under construction, and approximately 79 acres approved for office development under construction.

The Galleria at Roseville, a regional mall currently under construction in the North Central Roseville Specific Plan area, represents a significant catalyst for development in the area of the District. It is located on a 94.18 acre site and is currently being developed by Urban Retail Roseville LLC. This is the first regional mall development in the last 15 years in the Sacramento area. It is located at the northwest corner of Harding Boulevard and Roseville Parkway immediately across Highway 65 from the District. The two-level mall will have four major anchors, a cinema, an outdoor plaza, and a total gross leaseable area of 1,120,000 square feet. Anchors include Macy's, Nordstrom, Penney's and Sears. Grading on the project began in August 1998 with completion slated for September 2000. Underground utilities have been completed and construction of the mall buildings is underway. The construction of the regional mall has stimulated significant commercial activity in the vicinity of the District and is expected to have a substantial impact on residential development activity as well.

The Highland Reserve North Specific Plan CFD No. 1 Financing Plan

In connection with the adoption of the Highland Reserve North Specific Plan and the formation of the District, the City caused to be prepared by Economic & Planning Systems, Inc., Sacramento, California, as the Special Tax Consultant, the Highland Reserve North Specific Plan CFD No. 1 Financing Plan (the "CFD Financing Plan") dated June 9, 1999. The CFD Financing Plan describes the land uses within the District, the public facilities to be funded and the method of allocating facility costs among the major projects contemplated in the Highland Reserve North Specific Plan. The CFD Financing Plan identifies the infrastructure costs associated with development according to the Highland Reserve North Specific Plan to be approximately $27,600,000, contemplated to be funded from Bond proceeds. See "THE IMPROVEMENTS" below.

Proceeds of the Bonds (including certain interest earnings) will be used to fund the Improvements in the District. Proceeds of the Bonds will also be used to capitalize interest to September 1, 2000, to pay costs of issuance of the Bonds and to provide for the Reserve Fund. For a description of the Improvements, including cost estimates, see "THE IMPROVEMENTS" below.

Anticipated Development Under the Highland Reserve North Specific Plan

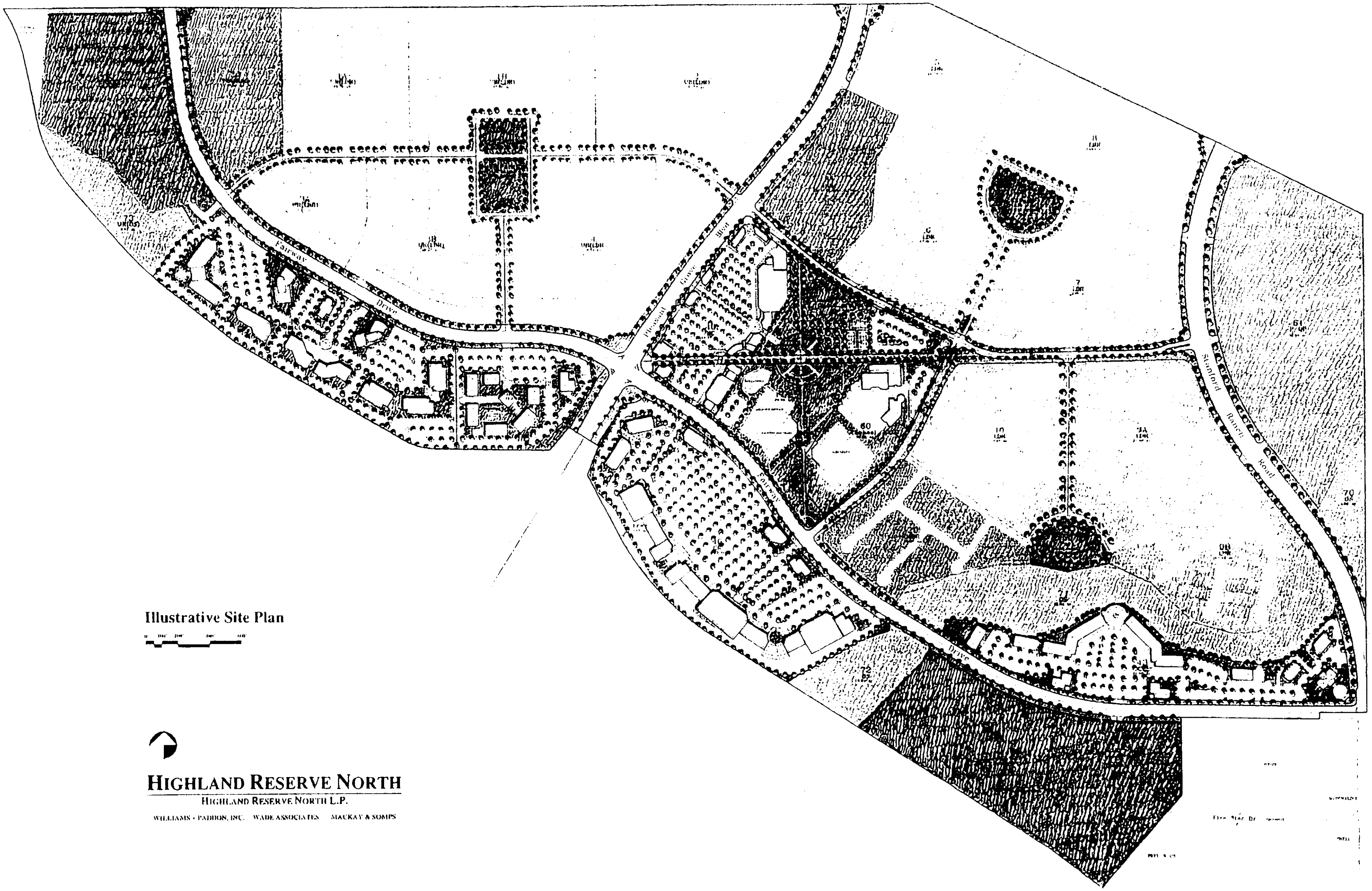
Development within the District is anticipated by Highland Reserve North, L.P. (the "Developer") to be consistent with the Highland Reserve North Specific Plan land uses, which primarily consist of residential neighborhoods and supporting uses such as schools, parks, recreation, open space and commercial land uses. Permitted land uses are primarily commercial and single-family detached residential, configured to reinforce neighborhood identity and sense of community. As approved, a maximum of 1,770 dwelling units is allowed within the District. Approximately 169 acres are designated for various types of commercial use, including highway-oriented commercial and Village Square commercial uses. Within the property, a network of smaller subdivisions will be developed largely with a mixture of single- and multi-family housing products. Overall, these housing products will be constructed in a fashion consistent with the character and composition of other such developments in the neighborhood and the City at large. See "The Highland Reserve North Specific Plan" above.

Property within the District has full land-use entitlements consistent with the zoning designations set forth herein. The entitlements permit a development proposal related to a particular parcel to proceed through tentative map subdivision and design-review permitting processes to final mapping and building permit provided the development application is in accord with the entitlements. See "Development Agreement" below. No tentative maps have been submitted to the City for residential property in the District. The 40 acres which are in the Highland Reserve North Specific Plan area but not in the District are located east of Stanford Ranch Road and consist of two parcels, one is improved with a church facility and the other is an open space parcel. These parcels were sold by the Developer prior to formation of the District. With respect to the developable portions of the properties, the following table summarizes the uses considered by the City to be consistent with the relevant zoning designations:

Highland Reserve North Community Facilities District No. 1
Summary of Developable Land Use Zoning

Land Use Classification	Zoning Designation	Permitted Density/Use(s)
Single-Family Residential	R1 (low density)	0.50-6.90 dwelling units per acre.
	R2 (medium density)	7.00-12.90 dwelling units per acre.
Multi-Family Residential	R3 (high density)	13.00 dwelling units per acre or greater.
Community Commercial	CC	Allows a variety of shops and services intended to meet the daily shopping needs of residents and plan area employees.
Business-Professional	BP	Offices, or similar office appropriate use.
Public/Quasipublic	P/QP	Schools.

An illustrative site plan of the individual parcels comprising the land within the District is shown on the following page. See also "The Highland Reserve North Specific Plan" above.



Illustrative Site Plan

HIGHLAND RESERVE NORTH

HIGHLAND RESERVE NORTH L.P.

WILLIAMS + PADDON, INC. WADE ASSOCIATES MACKAY & SOMPS

Development Agreement

The City, subject to the provisions of the Highland Reserve North Specific Plan, has a project development agreement (the "Development Agreement") with the Developer as the original owner of the approximately 615 acres comprising the Highland Reserve North Specific Plan area, 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 Highland Reserve North Specific Plan and is a binding contract between the City and the Developer which sets forth the needed infrastructure improvements, park dedication requirements, timing and method for financing improvements and other specific performance obligations of the City and the Developer as such obligations relate to development of the property, including the terms, conditions, rules, regulations, entitlements, vested rights and other provisions relating to the development of the property in the District according to the Highland Reserve North Specific Plan entitlements. Included are provisions relating to infrastructure improvements, public dedication requirements, landscaping amenities and other obligations of the parties. The Development Agreement has a 20-year term, runs with the property, and may be modified only by mutual consent of the City and the Developer and in a manner consistent with the Highland Reserve North Specific Plan. With the Development Agreement in place, construction of homes within the District may occur upon City approval of a subdivision map and certain design requirements.

Land use and development entitlements granted under the Development Agreement for property in the District is consistent with the Highland Reserve North Specific Plan described under the caption "The Highland Reserve North Specific Plan" and summarized above.

Development of the property in the District requires construction of substantial capital improvements, including new roadways, utilities, storm drain facilities, and other public facilities. The Development Agreement describes the capital facilities required to be constructed as a condition of development as well as certain contributions which are required to be made by the landowners or their successors as a portion of the cost of certain public works affected by development. A substantial portion of the capital facilities required to be constructed by the Developer under the Development Agreement are infrastructure improvements which constitute the Improvements to be financed with proceeds of the Bonds. Proceeds of the Bonds may not be sufficient to finance all of the cost of the Improvements due to cost overruns or unforeseen circumstances. The cost estimates of the Improvements have been prepared by the civil engineering firm of Mackay & Somps, based upon preliminary improvement plans submitted to the City. A contract has been awarded after a competitive bid process for a substantial portion of the Improvements. The Developer has provided the City with assurances, as described below, satisfactory to the City that moneys will be available to finance cost overruns. See "THE IMPROVEMENTS — Sources of Funds for Improvements."

Anticipated Subdivision Maps and Commencement of Development in the District

Construction of the Improvements is anticipated to commence upon issuance of the Bonds. See "THE IMPROVEMENTS" below. Construction activity will be undertaken by a qualified general contractor with respect to infrastructure required for development; the Developer and the other current owner of property in the District are not builders and no homebuilding or other end-use construction activity will be undertaken by either of them.

The Developer has provided the following information with respect to development within the District. No assurance can be given that all information is complete. Although the Developer and an affiliated entity currently own all of the property within the District, the owners intend to sell the property to unaffiliated merchant builders and will not be building homes or developing non-residential *end uses. 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, however development by any subsequent owner will be subject to the Highland Reserve North 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.*

Highland Reserve North, L.P. (the "Developer") and Oakville Reserve Ltd., as the current owners of the parcels in the District, anticipate development of their property into 1,770 residential units and approximately 169 acres of commercial development consistent with the Highland Reserve North Specific Plan. The landowners are not builders and intend to sell all of the land within the District to homebuilders and other merchant builders or commercial users for construction of structural improvements.

The Highland Reserve North Specific Plan site comprises approximately 615 gross acres and has vested rights under the Development Agreement for 1,300 single family residential lots, 470 multi-family residential lots, 32.15 acres of public parklands, 35.21 acres of open space, a 10.0 acre elementary school site, a 36.55 acre church and private school and 168.67 acres of commercial land use, all in accordance with the Highland Reserve North Specific Plan. Approximately 40 acres east of Stanford Ranch Road consisting of two parcels, one improved with a church facility and one which is planned for open space, are in the Highland Reserve North Specific Plan area but not in the District. These parcels were sold by the Developer prior to formation of the District. The 1,300 single family residential lots are planned to be constructed on approximately 278.59 acres and have been configured into three separate neighborhoods, as follows:

Neighborhood A	Parcels 9A, 9B, 10 and 20
Neighborhood B	Parcels 5, 6, 7, 8 and 31
Neighborhood C	Parcels 1A, 1B, 2, 3A, 3B, 4 and 30

The Developer currently contemplates processing tentative subdivision maps for all of the single family residential properties during the fall/winter of 1999 and selling such properties in the spring of 2000. With respect to the non-residential properties, Highland Reserve North, L.P. has recorded final maps on Parcels 43A, 43B, 44, 45A and 45B (approximately 55 acres) and anticipates selling the majority of these properties by the end of 1999. Two of the parcels are currently in escrow. The Developer expects to have approved final maps on the remainder of the Highland Reserve North Specific Plan area multifamily parcels and non-residential parcels by mid-December 1999.

Environmental Matters

Flood Hazard Map Information. The Federal Emergency Management Agency (FEMA) has assigned a flood zone designation of "X" (unshaded), defined as areas determined to be outside a 500-year flood plain, to property within the District. (Community Panel No. 06061C-0476F and 0477F, Map Revised June 8, 1998).

Seismic Conditions. According to the State of California Seismic Safety Commission, adjoining Sacramento County is located in Zone 3. Zone 3 is a medium risk area common to the Sacramento area. The State of California falls into Zones 3 and 4. Zone 4 is a high risk area which is located along the western edge of the State and includes the San Francisco Bay Area. There are no Alquist-Priolo Special Studies Zones in the Sacramento area, as defined in Special Publication 42 issued by the California Department of Conservation, Division of Mines and Geology. No active faults are located under or near the property in the District; however, strong earthquakes generated along any of the active California faults may affect the sites, depending on the magnitude of the quake and the location of the epicenter. In general, the effects are confined to shaking and/or acceleration (shock waves), and can be minimized by adequate design and construction procedures.

THE IMPROVEMENTS

General

The Development Agreement sets forth the capital facilities required to be constructed as a condition of development as well as a $2.5 million amount which is required to be contributed by the landowners as a portion of the cost of the Highway 65/Pleasant Grove Boulevard interchange. These improvements and the interchange contribution are collectively referred to herein as the "Improvements" described below.

Description of the Improvements

The District was formed to finance the Improvements, which include the infrastructure improvements to be constructed and the interchange contribution, and the incidental costs thereof. The Improvements are described in the District formation proceedings as follows:

1. <u>Transportation Improvements</u>. Authorized facilities include the following transportation-related improvements:

    - Stanford Ranch Road widening;
    - Fairway Drive construction;
    - Central Park Drive construction;
    - Highland Drive construction;
    - Pleasant Grove Boulevard construction;
    - Pleasant Grove Interchange contribution;
    - Other public roadway improvement required to meet the needs of the project.

    Eligible roadway improvements include; purchase of right of way; roadway design; project management; bridge crossings, grading and paving; joint trenches and underground utilities; curbs, gutters, and sidewalks; street lights (including reimbursements to the City) and signalization; signs and striping; and median and parkway landscaping related thereto.

2. Wastewater System Improvements. Authorized facilities include any and all wastewater facilities designed to meet the needs of development within the District. These facilities include sewer transmission lines and related wastewater system improvements.

3. Water System Improvements. Authorized facilities include any and all water facilities designed to meet the needs of development within the District. These facilities include water distribution facilities including fire hydrants, and related water system improvements; pressure reducing stations, and flow meters.

4. Drainage System Improvements. Authorized facilities include any and all drainage and storm sewer improvements designed to serve the needs of development within the District including, but not limited to pipelines and appurtenances, temporary drainage facilities, detention basins, and drainage pretreatment facilities.

5. School Site Purchase. Authorized facilities include the purchase of the elementary school site consistent with the Highland Reserve North Specific Plan area, including all costs related to such purchase.

6. Park Improvements. Authorized facilities include any and all improvements to park facilities located in the Highland Reserve North Specific Plan area, including acquisition of property and the design and construction thereof.

7. Other Expenses. In addition to the above facilities, other incidental expenses as authorized by the Act, including, but not limited to, the cost of planning and designing the facilities (including the cost of environmental evaluation and environmental remediation); construction staking; utility relocation and demolition costs incident to the construction of the public facilities, cost associated with the creation of District; issuance of Bonds; determination of the amount of Special Taxes, collection of Special Taxes; payment of Special Taxes; or costs otherwise incurred in order to carry out the authorized purposes of the District; reimbursements to other areas for infrastructure facilities serving District; and any other expenses incidental to the construction, completion, and inspection of the facilities.

Cost of the Improvements

The table below shows the cost estimates for the Improvements prepared by the Developer's engineers, Mackay & Somps, Sacramento, California, pursuant to a process which began in mid-1997. Preliminary plans for the work have been submitted to the City and the estimated cost of the Improvements has been reviewed for reasonableness by the City. In addition to the Improvements, other public infrastructure (such as signals, park improvements, school facility, etc.) is planned for the District in the future, and such infrastructure will be primarily funded from building permit and related fees collected by the City at the time of the issuance of such permits.

Highland Reserve North Community Facilities District No. 1
Estimated Cost of the Improvements

FACILITIES	TOTAL COST
Backbone Infrastructure	
Roadways (including water, sewer, drainage, dry utilities, and median landscaping)	
Stanford Ranch Road	$ 925,000
Fairway Drive-2, Phase A	2,500,000
Fairway Drive East	3,000,000
Fairway Drive West	3,750,000
Central Park Drive	850,000
Highland Drive East	1,600,000
Highland Drive West	2,600,000
Pleasant Grove Blvd	2,600,000
Total Roadways	**$17,825,000**
Pleasant Grove Interchange Contribution	$ 2,500,000
Roadway Bench Widening and Median Rib/Backfill	350,000
Off-Site Water	375,000
PRV's/Meters	430,000
Detention Basin at Blue Oaks	325,000
NPDES Basins	175,000
Off-Site Joint Trench, Electric, and Gas	1,140,400
Plan Check/Inspection	750,000
Project Management (4% of construction costs)	827,000
Engineering & Staking	1,200,000
General Operation	150,000
Parks	250,000
Reimbursement to City	250,000
Total Backbone Infrastructure	**$26,547,400**
Additional Public Infrastructure	
School Site Purchase	**$1,000,000**
TOTAL FACILITIES COST	**$27,547,400**

Source: MacKay & Somps Civil Engineering and Economic & Planning Systems, Inc.

In August 1999, the Developer solicited bids for the "Roadways" component of the Improvements shown in the table above. The work was subjected to a competitive bid process in August 1999, and bids were received by the Developer based upon preliminary improvement plans prepared by Mackay & Somps which included design elements prepared by the Developer. These improvement plans have been submitted to the City for approval and will become final when City approval is obtained. The Developer has awarded a contract to Granite Construction ("Granite") for construction of the roadways component for an amount which the Developer reports is less than the estimated costs shown above. The contract to be entered into with Granite will require Granite to provide performance bonds to the Developer. The non-roadway improvements consist of the interchange contribution and certain other improvements, the costs of which will be incurred pursuant to contracts entered into by the Developer directly with various entities. The portion of the Improvements listed as the Pleasant Grove Interchange Contribution is a contribution to be made by the Developer toward the total interchange construction cost. The Developer's contribution is limited to the $2.5 million amount under the terms of the Development Agreement and no further funding of the interchange by the Developer is required regardless of its actual cost. The City has received approval from CalTrans for the project and currently is receiving bids for construction. The City anticipates awarding a bid in late September 1999 and construction is expected to begin in October. The interchange is projected to be complete by the end of 2000.

The Developer is not a builder and no construction of the Improvements, homebuilding or other end use construction activity will be undertaken by the Developer. There can be no assurance that all of the Improvements will be constructed for the costs contracted for or estimated or that the Improvements will be constructed in a timely manner to permit the completion of development currently planned for the District. The cost of the Improvements may exceed the amount available from Bond proceeds to pay for the Improvements. No assurance can be given that the excess moneys needed to fund cost overruns to complete the Improvements will be available. See "Sources of Funds for Improvements" below. In the event the cost of the Improvements exceeds the cost anticipated by the Developer, additional money will be necessary to complete the Improvements, which additional money has not been specifically provided for as of the date of issuance of the Bonds, except as contemplated in the Acquisition Agreement described below.

Sources of Funds for Improvements

Bond Proceeds. The total cost of the Improvements is estimated to be approximately $27,600,000 million, which the Developer contemplates will be fully provided from Bond proceeds. See "Costs of the Improvements" above.

Cost Overruns. Under the Acquisition Agreement (described herein under the caption "Acquisition by the City" below), the City has provided that all cost overruns relative to the cost of the Improvements (excluding the Pleasant Grove Interchange) shall be the responsibility of the Developer. The Acquisition Agreement further provides that in the event of a shortfall, the Developer agrees with the City to: (i) waive its right to payment from the Bond proceeds to the extent of the amount of the shortfall; and (ii) defer such payment until the District can impose and collect Special Taxes in excess of the amounts required to pay required debt service and City administration costs associated therewith. This requires the Developer to provide the shortfall funding as needed to complete the Improvements. The City will be entitled to acquire the Improvements constructed all or in part with such shortfall funds upon completion, but the City is allowed to defer payment to the Developer for such acquisitions. Under the Acquisition Agreement, shortfall funds provided by the Developer will be subject to reimbursement from future Special Tax collections and will be paid from Special Tax collections after the payment of annual debt service and deposits with respect to the Bonds required under the Fiscal Agent Agreement. The City is allowed by the Acquisition Agreement to levy the Special Taxes against all properties in the

District at the Maximum Special Tax rate permitted in such instance. The amount generated thereby not needed to pay debt service on the Bonds, replenish the Reserve Fund or to pay delinquent Special Taxes may be used to reimburse the Developer for funds expended for Improvements and not financed from Bond proceeds under a deferred reimbursement arrangement. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Special Tax Fund" above. This mechanism may also be utilized from time to time with the consent of the Developer and the City to reimburse the Developer for the cost of additional Improvements not funded from proceeds of the Bonds. Under the terms of the Fiscal Agent Agreement, no reimbursements to the Developer may occur in any year until the amount of Special Taxes actually collected for such year exceeds the debt service on the Bonds for such year. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Special Tax Fund" above.

No assurance can be given that in the event of cost overruns, the "shortfall" moneys needed to complete the Improvements will be available. Payment of shortfall amounts is an unsecured obligation of the Developer. The Developer intends to sell the property to merchant builders and the responsibilities for funding any shortfall for construction of the Improvements could be passed on to a subsequent owner.

Reimbursements to the Developer from Bond Proceeds

Upon issuance of the Bonds, a portion of Bond proceeds in the approximate amount of $2.5 million will be used to reimburse the Developer for costs paid by the Developer for design of the infrastructure Improvements, including a contribution toward the design of the interchange, and for the construction of a minor portion of certain roadway improvements bordering Parcel 45A.

Construction Schedule

Initial grading for construction of the Improvements is currently underway. Construction of the District infrastructure Improvements is anticipated to commence upon issuance of the Bonds and is projected by the Developer to be completed by December 2000. The Developer has awarded a contract to Granite Construction for construction of the roadways and related improvements for an amount less than the estimated costs. See "Cost of the Improvements" above. The Developer is not a builder and no construction of the Improvements, homebuilding or other end use construction activity will be undertaken by the Developer. The portion of the Improvements listed as the Pleasant Grove interchange construction is a contribution to be made towards the cost of constructing this interchange. The construction of the interchange is currently out to bid and construction is projected to be complete by the end of 2000.

Acquisition by the City

The Developer has entered into a Funding, Construction and Acquisition Agreement (the "Acquisition Agreement") which provides that the Developer will construct (or cause to be constructed) the portion of the Improvements required to be constructed under the Development Agreement, the Highland Reserve North Specific Plan and other project approvals with respect to the property in the District. The City, upon completion of construction of discreet elements of such Improvements and acceptance by the City, will purchase such Improvements. Proceeds of the Bonds will be used to pay the purchase price of the Improvements. The $2.5 million contribution to the Pleasant Grove interchange component of the Improvements is required under the Development Agreement and will be made by the Developer upon issuance of the Bonds from Bond proceeds to satisfy the Developer's obligation under the Development Agreement.

Under the Acquisition Agreement, the City will determine the acquisition price at the time the Developer requests payment and no maximum acquisition price is specified for any component of the Improvements. If the amount of Bond proceeds available to construct the Improvements is not enough to pay for the Improvements, the Developer is responsible for providing the Improvements pursuant to the Development Agreement and as a condition of development of the property in the District. The Acquisition Agreement provides the City with a mechanism for funding the unanticipated deficiency which mechanism is described under the caption "Sources of Funds for Improvements" above.

OWNERSHIP OF PROPERTY WITHIN THE DISTRICT

Unpaid Special Taxes do not constitute a personal indebtedness of the owners of the parcels within the District and the owners have made no enforceable commitment to pay the principal of or interest on the Bonds or to support payment of the Bonds in any manner. There is no assurance that the present owners or any subsequent owners have the ability to pay the Special Taxes or that, even if they have the ability, they will choose to pay such 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 from the owners of property within the District of any Special Tax or any principal or interest due on the Bonds, or the ability to control who becomes a subsequent owner of any property within the District.

The Developer has provided the information set forth under the heading "OWNERSHIP OF PROPERTY WITHIN THE DISTRICT" below. No assurance can be given that all information is complete. Although the Developer and an affiliated entity currently own all of the property within the District, the Developer and such entity intend to sell their property to various builders or private individuals soon after delivery of the Bonds. When such sales occur, the ownership of the land within the District will become more diversified. 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 in "THE DISTRICT" above may not be continued by the subsequent owner if the parcels are sold, however development by any subsequent owner will be subject to the Highland Reserve North Specific Plan, the Development Agreement, the Acquisition Agreement and the policies and requirements of the City. The Special Taxes are not personal obligations of the Developer, its affiliates, or of any subsequent landowners; the Bonds are secured only by the Special Taxes and moneys available under the Fiscal Agent Agreement. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" and "SPECIAL RISK FACTORS" herein.

The Developer

Highland Reserve North, L.P. is a Delaware limited partnership and is part of the Richland Properties real estate group owned by Jack H. Bray, an individual. Highland Reserve North, L.P. and Oakville Reserve Ltd., a Florida limited partnership owned by a Bray family trust, together own 100% of the property within the District.

Jack Bray has been active in real estate investment and development in California, Texas, Florida, and Canada for over 25 years through his companies, Richland Properties, Inc., based in Tampa, Florida and Richland Communities, Inc. ("Richland"), based in Santa Ana and Roseville, California. Mr. Bray has developed over 1,000,000 sq. ft. of office and industrial buildings, as well as anchored retail shopping centers, and many residential-commercial master planned communities.

Major developments in Florida include The Summit, a 186 acre commercial-office mixed use project, Southchase, a 3,200 acre residential-commercial mixed use project (both in the Orlando area) and Calusa Trace in Tampa. Southchase currently has in excess of 3000 single-family homes completed and is in the final stages of buildout. Calusa Trace is a 300-acre residential project with over 900 homes and a 30-acre retail shopping center, now fully developed. Texas projects include West Rim Estates in Austin, a gated 200 lot, custom home development, and the Stone Oak master plan in San Antonio, a 4,800 acre mixed use project which will have over 4,000 homes at full buildout.

In 1994, Mr. Bray and Richland began to focus on the California market and began developing numerous projects in Southern California, including Thousand Oaks, Westlake Village, Chino Hills, Temecula, Murrieta and San Diego County. Included above is Pinehurst in Chino Hills totaling 700 single-family lots, of which 300 have been developed and sold to builders, 100 are in development and 300 lots remain to be developed. The expansion to Northern California includes Richland's property in the District and in the North Central Roseville Specific Plan area.

An affiliate of the Highland Reserve North Specific Plan area landowners, Richland Irvine, Inc., owns approximately 319 acres of undeveloped property in the North Central Roseville Specific Plan area which is not in the District but lies immediately across Highway 65 from the District. This holding includes approximately 22 acres of single family zoned parcels, 42 acres of multi-family parcels and approximately 227 acres of commercial/industrial parcels. Richland Irvine, Inc. acquired the property as a result of a dispute among partners of the former owner of the property, Roseville Properties Investment Partners, Inc. In resolving the dispute, a then-limited partner, Balcor Management Services, a subsidiary of American Express, became general partner of the former ownership entity. Balcor did not desire to develop the property and attempted to market it, but initially had limited success. All of the property in the District and approximately 426 acres in the North Central Roseville Specific Plan area were later sold to Highland Reserve North, L.P. and Richland Irvine, Inc. respectively. See "OWNERSHIP OF PROPERTY WITHIN THE DISTRICT" below. The property acquired by Richland Irvine, Inc. in the North Central Roseville Specific Plan area is subject to a special tax of a community facilities district formed with respect to development of property in that area.

Richland does not typically fully develop its properties, electing to end its investments with the sale of improved parcels ready for further development. Richland's customers include many of the national and regional residential builders including Centex, U.S. Homes, Pulte Homes, Kaufman and Broad, Forecast Homes, Western Pacific Homes, Fairfield and Spanos as well as commercial users and developers, such as Home Depot, Wal-Mart, Albertsons, World Com and Trammel Crow.

No assurance can be given that any of the possible sales detailed above will actually occur and no assurance can be given that an owner of any parcel in the District will be the developer of its property in the District or will develop its property in accordance with the Highland Reserve North Specific Plan.

Richland funds its land acquisition and development activities, including those within the District, with cash on hand and from revolving lines of credit it has established with various banks. Certain of these banks include U.S. Bank, Bank Midwest and AmSouth Bank. Most of the Richland land holdings, including property in the District, comprise a real estate collateral pool securing outstanding balances on the lines of credit. Accordingly, Richland's property in the District is subject to a deed of trust which contains release provisions to accommodate sales of parcels.

Sale of Property Within the District

The Developer and Oakville Reserve Ltd. are not builders and intend to sell all of the land within the District to homebuilders and other merchant builders or commercial users for construction of structural improvements. The Developer will manage the construction of the Improvements. Once the

Improvements are under construction, the residential parcels will be marketed for sale to merchant builders. It is anticipated that the residential parcels will be sold in approximately 4 years, beginning in 2000. These parcels will be sold at the tentative map approval stage and may be rough-graded by the Developer prior to sale.

The commercial parcels (comprising approximately 169 acres) are currently being actively marketed by the Developer in response to existing demand that has been generated in part by construction of the Galleria Mall (the regional mall under construction across Highway 65 from the District). Highland Reserve North, L.P. is currently in escrow to sell a 14-acre site to Home Depot and an 18-acre site to DSL, the development subsidiary of Downey Savings, for a total of approximately $12,000,000. These sites are zoned commercial and will accommodate approximately 300,000 square feet of retail space. The Developer is also currently negotiating the sale of approximately 45 acres of commercially zoned land for additional retail development within the District at a sale price of approximately $15,000,000 (with the assumption of the Special Tax lien). It is anticipated by the Developer that all the commercial land in the District will be sold in approximately five years.

Developer's Financing Plan

The Improvements are estimated to cost approximately $27,600,000. These Improvement costs are planned to be financed with Bond proceeds. Improvement costs in excess of available Bond proceeds will be funded by the Developer in accordance with the provisions of the Acquisition Agreement, which includes terms pursuant to which such excess costs may be reimbursed out of Special Tax proceeds.

The Improvements are anticipated by the Developer to be constructed in a single phase of approximately 14 months. During the construction period, the Developer intends to process tentative small lot subdivision maps for the large lot single family residential parcels and final maps for the large lot parcels (both non-residential and residential) that do not yet have final maps. The Developer anticipates marketing the single family residential parcels to production home builders with approved tentative small lot maps and with all major off-site infrastructure in place.

Previous acquisition and current holding cost cash flow needs are provided by Richland's equity and borrowing facilities from Bank Midwest and US Bank. Each of these loans is secured by the property in the District and contains lien release provisions upon sale of parcels.

Future cash flow needs include interest payments, general and administration costs, real estate taxes, and parcel specific soft costs such as engineering and legal expenses. These costs are anticipated by the Developer to be funded from proceeds on land sales or from Richland's equity if needed.

Set forth below is the Developer's estimate of the projected cashflow attributable to sales of property in the District. *These projections were prepared by the Developer for internal planning purposes. No assurance is given that these projections can or will be met.*

Highland Reserve North
Developer's Projected Land Sale Proforma[1]
(000's)

Sales	1999	2000	2001	2002	2003	Total
Single-family Residential Acres		121	90	51	16	278
Single-family Residential Sales		$23,200	$15,900	$8,500	$2,800	$50,400
Commercial Acres	33	68	44	19	4	168
Commercial Sales	$14,000	$34,600	$2,300	$9,900	$20,000	$80,800
Multi-family Acres				12	14	26
Multi-family Sales				$2,600	$3,100	$5,700
Total Acres	33	189	134	82	34	472
Total Sales	$14,000	$57,800	$18,200	$21,000	$25,900	$136,900
Development & Holding Expenses						
Marketing	$700	$2,900	$1,900	$1,100	$400	$7,000
Taxes	$600	$800	$500	$200	$100	$2,200
General & Administration	$100	$100	$100	$100		$400
CFD Debt Service			$1,300	$600	$200	$2,100
Total Expenses	$1,400	$3,800	$3,800	$2,000	$700	$11,700
Net Cashflow	$12,600	$54,000	$14,400	$19,000	$25,200	$125,200

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(1) Assumes all backbone infrastructure costs funded through the District.
Source: The Developer.

APPRAISAL OF PROPERTY WITHIN THE DISTRICT

The Appraisal

The City ordered preparation of an appraisal report dated August 18, 1999 (the "Appraisal"), of the estimated value as of August 1999 for the taxable land within the District, which was prepared by Bender Rosenthal, Sacramento, California (the "Appraiser"). The Appraisal is set forth in APPENDIX B hereof. The description herein of the Appraisal Report is intended for limited purposes only; the Appraisal Report should be read in its entirety.

The Appraisal reports the estimate of the aggregate bulk sale "free and clear" value of the taxable property within the District, as well as the aggregate bulk sale value subject to the lien of the Special

Tax. Such valuations are based upon a bulk valuation of the property assuming a single sale of all the property to a single buyer and assume that Improvements to be financed with proceeds of the Bonds are complete and operational. Such a bulk valuation is sometimes also referred to as a "discounted" bulk sale value since it is assumed that such a sale to a single buyer results in a discount from the price that might be realized from multiple sales to various buyers. As a component of the valuation analysis of the District, the City required the Appraiser to develop a market absorption study to support the valuation determinations. The absorption study is included as Chapter IV of the Appraisal. The discounting models developed in the valuation analysis incorporate a site-specific residential-use and commercial-use market absorption study by the Appraiser with the estimates of market (retail) value for each of the undeveloped parcels. The absorption data projected a four to five year absorption period for both residential zoned land and commercial zoned land. See APPENDIX B – THE APPRAISAL."

The appraised valuation excludes the value of all portions of the property in the District designated for public and quasi public purposes in the Highland Reserve North Specific Plan. The valuation estimates of the taxable property in the District as shown in the Appraisal are as follows:

Discounted bulk sale free and clear value:	$104,360,000
Discounted bulk sale value subject to the Special Tax lien:	$83,140,000

Both value estimates by the Appraiser assume that the Improvements to be financed with proceeds of the Bonds are completed. Both value estimates are as of August 1999 using the methodologies described in the Appraisal and subject to the limiting conditions and special assumption set forth in the Appraisal.

Assumptions and Limiting Conditions. 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 affect the estimates as to value. Because the Appraisal set forth the Appraiser's opinion as to value only as of the date of such Appraisal, it does not reflect any changes to value that might have occurred since that date or which may occur in the future.

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, such as growth control initiatives and government regulations or the discovery of toxic substances on land within the District 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 — THE APPRAISAL" hereto for a description of other 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.

Property values are not likely to be evenly distributed throughout the District; thus, when individual parcels are ultimately created and recorded, certain parcels may have a greater value per acre 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.

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. The conclusions reached in the Appraisal are subject to certain assumptions and qualifications which are set forth in the Appraisal.

Value to Special Tax Burden Ratios

The Appraisal sets forth the estimated discounted bulk sale free and clear value, of all taxable property within the District to be $104,360,000 and the estimated discounted bulk sale value subject to the Special Tax lien to be $83,140,000 subject to the limiting conditions stated therein. (See "The Appraisal" above.) The principal amount of Bonds is $33,470,000. Consequently, the estimated discounted bulk sale free and clear value of the real property within the District, is approximately 3.12 times the principal amount of the Bonds and the estimated discounted bulk sale value subject to the special tax lien, is 2.48 times the principal amount of the Bonds. Some of the property in the District is subject to overlapping Special Tax and assessment liens. See "Priority of Lien – Overlapping Debt" and the table shown on the following page. Such overlapping lien amount is $44,577.

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 purpose would be to finance additional regional or local public improvements or services. 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 Developer or the merchant builders in order to complete their projects. The deeds of trust securing such debt on property within the District, however, will be in a junior position to the lien of the Special Tax.

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 liens of benefit to the Roseville Joint Union High School District and the Roseville City School District in the total amount of $44,577, as shown in the overlapping debt statement below. The property is not subject to any other special tax or assessment liens (other than the lien of the Special Tax).

The City and the Developer anticipate that a community facilities district will be established which will include the property in the District, for the principal purpose of maintaining certain portions of the landscaping located within the roadway corridors. Such a community facilities district will not be authorized to issue bonds secured by the Special Tax levy. However, the special tax levy of such 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 Developer anticipates that the special tax for this purpose will not exceed $200 per year per single-family residential parcel. Commercial properties will not be subject to this special tax. There can be no assurance that the 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.

Private liens, such as Deeds of Trust securing loans obtained by a property owner, 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.

CITY OF ROSEVILLE
HIGHLAND RESERVE NORTH COMMUNITY FACILITIES DISTRICT NO. 1

1998-99 Assessed Valuation: $5,189,292

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 9/1/99	
Roseville Joint Union High School District	0.063%	$22,922	
Roseville City School District	0.126	21,655	
City of Roseville Highland Reserve North Community Facilities District No. 1	100.000	-	(1)
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$44,577	
OVERLAPPING GENERAL FUND OBLIGATION DEBT:			
Placer County General Fund Obligations	0.027%	$ 5,245	
Sierra Joint Community College District Certificates of Participation	0.019	1,092	
Roseville Joint Union High School District Certificates of Participation	0.063	1,660	
Roseville City School District Certificates of Participation	0.128	29,645	
City of Roseville Certificates of Participation	0.087	25,561	
TOTAL OVERLAPPING GENERAL FUND OBLIGATION DEBT		$63,203	
COMBINED TOTAL DEBT		$107,780	(2)

(1) Excludes 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 1998-99 Assessed Valuation:

Direct Debt	- %
Total Direct and Overlapping Tax and Assessment Debt	0.86%
Combined Total Debt	2.08%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/99: $0

Source: California Municipal Statistics.

SPECIAL RISK FACTORS

Failure to Develop Properties

Land development operations are subject to comprehensive federal, State and local regulations. Approval is required from various agencies in connection with the layout and design of developments, the nature and extent of improvements, construction activity, land use, zoning, school and health requirements, as well as numerous other matters. There is always the possibility that such approvals will not be obtained on a timely basis. Failure to obtain any such agency approval or satisfy such governmental requirements would adversely affect land development operations. In addition, future initiatives approved by the voters or regulations or policies adopted by the City could add more restrictions and requirements on development within the District. See "Future Land Use Regulations and Growth Control Initiatives" below.

Moreover, 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 by two affiliated ownership entities. These owners contemplate selling all of their property in the District prior to the time that the property is fully developed; accordingly there is likely to be subsequent transfers of ownership of undeveloped property within the District. The fact that all of the land within the District is currently controlled by a small number of owners causes the responsibility for the payment of the annual Special Taxes to be apportioned only to those owners. Because of such concentration of ownership of District land, the timely payment of the Bonds depends upon the willingness and ability of the owners to pay the Special Taxes when due. The only asset of the owners of property within the District which constitutes security for the Bonds is such owners' real property holdings located within the District and each parcel may only be foreclosed against for delinquent Special Taxes levied against such parcel. If the current landowners choose to pay some but not all of the Special Taxes, they may, as owners of multiple parcels in the District, choose to default on the payment of the Special Tax on parcels which are less valuable than other parcels. Also see "Bankruptcy" below.

Future Land Use Regulations and Growth Control Initiatives

During the past several years, citizens of a number of communities in California have placed measures on the ballot designed to control the rate of future growth, including in the City, where in 1997 a growth-control initiative was firmly defeated. Although none of the initiatives are relevant to the District, it is possible that similar initiatives could be enacted, could become applicable to or affect development within the District. Owners of the Bonds should assume that any event that significantly affects the ability to develop land in the District would cause the land values within the District to decrease substantially and could affect the willingness and ability of the owners of the land within the District to pay the Special Taxes when due. The Development Agreement is intended to vest the Developer's rights to the extent permitted by law and provide some degree of certainty of the Developer's right to develop its property in accordance with the Development Agreement.

Government Code Section 66474.3, enacted by the California State Legislature in 1988, provides some limited protection against the adverse impact resulting from a growth management initiative. The provision empowers a local legislative body to allow a project to develop in spite of a growth management initiative or ordinance if the local legislative body finds that application of the enacted initiative measure is likely to cause a default on land-secured bonds issued to finance infrastructure benefiting the project. In such case, the City or the County could permit development in the District to proceed in a manner consistent with an approved tentative map. The cited Government Code section includes in the definitions of land-secured bonds, any bonds issued pursuant to the Act so long as such bonds were issued and sold at least 90 days before the proposed initiative was adopted by either popular vote or by ordinance adopted by the legislative body.

In evaluating the investment quality of the Bonds, investors should assume that the possible enactment of more restrictive land use policies or regulations by the City, by the County or by voter initiative presents a substantial risk to the timely construction and completion of development in the District, except with respect to units for which building permits have already been issued and substantial work and liabilities have been incurred in good faith reliance thereon prior to the date of adoption of any such land use regulations.

The failure to complete development in the District as planned, or substantial delays in the completion of the development due to litigation or other causes may increase the amount of delinquencies and/or reduce the value of the property within the District.

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 parcels 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 1" environmental report was prepared for the property in the District in connection with the establishment of the Highland Reserve North Specific Plan which did not indicate the presence of any hazardous substance on a random sampling of parcels 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 Development Costs

Development of land within the District is contingent upon construction or acquisition of major public improvements such as arterial streets, water distribution facilities, sewage collection and transmission facilities, drainage and flood protection facilities, gas, telephone and electrical facilities and street lighting, a substantial portion of which will be financed with proceeds of the Bonds. There can be no assurance that all of these improvements will be constructed or will be constructed in a timely manner to permit the completion of development currently planned for the District. The landowners will also be responsible for the cost of all infrastructure other than the Improvements, as well as all private infrastructure.

The cost of these public and private in-tract, on-site and off-site improvements could increase the public and private debt for which the land within the District is security. This increased debt could reduce the ability or desire of the owners of property within the District to pay the annual Special Taxes levied against the property. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Special Taxes" herein.

Land Values

The Appraisal included as APPENDIX B sets forth the 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

The payment of property owners' 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 tax installments not being paid in full.

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 a secured creditor with a prior lien on the property. Although the court upheld the priority of unpaid taxes imposed before the bankruptcy petition, unpaid taxes imposed after the filing of the bankruptcy petition were declared to be “administrative expenses” of the bankruptcy estate, payable after 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.

According to the court’s ruling, as administrative expenses, post-petition taxes would have to be paid, assuming that debtor had 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* taxes.

On October 22, 1994, the *Glasply* decision was overturned. Accordingly, it does not apply to bankruptcy petitions filed on or after that date and such bankruptcy petition filing would not prevent the lien for *ad valorem* property taxes to attach and such lien will be treated as secured. However, any foreclosure or other collection action will be stayed during the pendency of the bankruptcy in accordance with bankruptcy laws.

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 liens of benefit to the Roseville Joint Union High School District and the Roseville City School District in the total amount of $44,577. The property is not subject to any other special tax or assessment liens (other than the lien of the Special Tax). The City and the Developer anticipate that a community facilities district will be established which will include the residential property in the District, for the principal purpose of maintaining certain portions of the landscaping within the roadway corridors. An annual special tax will be levied for such purpose pursuant to a community facilities district not yet formed. The amount of this levy will be secured by lien against property in the District on a parity to the lien of the Special Tax. The Developer anticipates that the special tax for this purpose will not exceed $200 per year per single-family residential parcel. Commercial properties will not be subject to this special tax. There can be no assurance that the 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 "Parity Taxes and Special Assessments," herein.

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.

Insufficiency of Special Taxes

The Act provides that, if any property within the District not otherwise exempt from the Special Tax is acquired by a public entity through a negotiated transaction, or by gift or device, the Special Tax will continue to be levied on and enforceable against the public entity that acquired the property. In addition, the Act provides that, if property subject to the Special Tax is acquired by a public entity through eminent domain proceedings, the Special Tax with respect to that property, to the extent necessary to cover outstanding debt, is to be treated as if it were a special assessment and be paid from the eminent domain award. The constitutionality and operation of these provisions of the Act have not been tested in the courts. If the federal government or another non-taxable entity successfully takes the position that property owned by it or in which it has a security interest and subject to the Special Tax becomes exempt from taxation, the Special Tax will be reallocated to the remaining taxable properties within the District, subject to the limitation of the maximum authorized rate of levy on each parcel. This could result in the owners of such property paying a greater amount of the Special Tax and could have an adverse impact upon the timely payment of the Special Tax.

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.

Proceeds of the Bonds include an amount for capitalized interest sufficient to pay the interest on the Bonds for approximately 17 months. Accordingly, payments on the Bonds to and including the payment due September 1, 2000 and a portion of the payment due March 1, 2001 are not affected by the ability or willingness of the owners of the property in the District to pay the Special Tax. The Special Tax for the 2000-01 fiscal year will be levied against property in the District and such tax is due in two installments payable without penalty by December 10, 2000 and April 10, 2001. In the event such Special Taxes are not timely paid, moneys available to pay debt service on the Bonds becoming due on March 1, 2001 and September 1, 2001 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 vacant land within 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 XIIIC and XIIID to the State Constitution, which contain a number of provisions affecting the ability of the City to levy and collect both existing and future taxes, assessments and property related fees and charges.

Article XIIIC removes limitations on the initiative power in matters of local taxes, assessments, fees and charges. Article XIIIC does not define the term "local taxes" and it is unclear whether this term is intended to include special taxes levied under the Act. In the case of the unpaid 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 installments on account of the unpaid Special Taxes to the property tax roll of the County each year while any of the Bonds are outstanding, in amounts equal to the principal of and interest on the Bonds coming due in the succeeding calendar year.

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 certainly the outcome of such determination.

Year 2000 Computer Compliance

As a result of a generalized lack of century designation among computer applications currently in operation worldwide, namely, the inability of certain software and hardware applications to correctly distinguish whether calendar dates fall or will fall in the 20th or 21st century (the "Year 2000 Problem"), the potential exists that the Year 2000 will begin with some uncertainty in the operations of financial and banking businesses, among others, and could disrupt the ability of the City, the Fiscal Agent, the Insurer and/or DTC or DTC Participants to appropriately disburse amounts necessary for the payment of the principal of and interest on the Bonds. The breadth and longevity of such operational difficulties, if any, is currently unable to be determined with certainty on an individual or national level.

The City's Year 2000 Program

The City can make no assurances that Year 2000 issues will be timely and successfully solved. The City's reliance on information technology in every aspect of its operations has made Year 2000-related information technology issues a high priority for the City. The risks posed by Year 2000 information technology related issues are not confined to computer systems but also include problems presented by embedded microchips (products or systems that contain microchips to perform certain functions). The City has internally inventoried all computing systems, equipment and software, including systems, equipment and software for the Year 2000 readiness and contracted with an external vendor for the inventory and assessment of all such equipment for potential Year 2000 risks from embedded systems. In addition, the City has, and will continue to, monitor Year 2000 readiness activities of its partners, suppliers, vendors for any potential impact on its ability to provide services. All of the business critical and non-critical systems and equipment utilized by the City either have been remediated or are in the process of being remediated. This process is expected to be completed before October 1, 1999. All systems that are capable of being tested will be tested.

The City has spent approximately $8 million city-wide in direct costs for upgrading and replacing equipment and software (which included addressing the Year 2000 issue) through March, 1999, and anticipates spending an additional $150,000 in the remainder of 1999 to complete its Year 2000 readiness efforts. Based on progress to date and information available to it, the City believes that the activities that remain to be completed as part of its efforts to address the Year 2000 issue can be completed on a timely basis so that the City's accounting systems, will not be adversely affected by its computer systems and embedded technology. However, in the event that others with whom the City conducts business fail to become Year 2000 compliant on a timely basis, the City's operations could be adversely affected.

The City has provided the foregoing data for informational purposes only, and it is not intended to serve as a representation, warranty, or contract modification of any kind.

The County's Year 2000 Program

The County's goal is to minimize possible adverse effects of the Year 2000 transition as it relates to potential computer technology failures by taking the actions described below. The County is taking steps to make sure their computer-based systems and embedded chips are Year 2000 compliant. The County reports aggressive Year 2000 testing of County computer systems and personal preparedness planning by individuals. The County reports that its testing efforts coupled with the county's traditional emergency management role through the County Office of Emergency Services, best prepares the County of Placer and its residents for emergencies, regardless of whether they are caused by nature or by technology. Through the County Office of Emergency Services, as part of the County's ongoing business practices, traditional emergency management plans have been in place, tested and employed over the years to respond to potential emergencies.

The County began a testing program in 1996 to mitigate the possible negative impact of the Year 2000 problem on the County's use of technology. Since then, most old technologies have been replaced with new, and in the process have enhanced the County's ability to provide services to the public. In a few instances, where it made good business sense, older systems have been modified to make systems compliant. The County reports most of the work has been completed and tested. In a few cases work continues, but is on schedule to be completed well in advance of the millennium change. The County is also researching and testing devices which contain embedded computer chips to verify that they will continue to work properly in the Year 2000. Additionally the County is working directly with other agencies, such as the State and local utilities, to understand their preparedness plans in order to ensure a quick, well-coordinated response.

The County has provided the foregoing data for informational purposes only, and it is not intended to serve as a representation, warranty, or contract modification of any kind.

The Fiscal Agent's Year 2000 Efforts

The Fiscal Agent reports that in 1996, it established a Year 2000 Committee with responsibility for developing an effective plan for identifying, renovating, testing and implementing simulated solutions for Year 2000 processing. It is working with The Chase Manhattan Bank and Marshall & Ilsley (providers of its most significant data processing systems) as well as other vendors to assure compliance with the required systems changes. The Chase Manhattan Bank and Marshall & Ilsley are responsible for and bear the cost of effecting all necessary changes to such systems. In accordance with its Year 2000 plan, software code remediation is already completed and testing of all critical systems will be substantially completed by the end of the third quarter of 1999. Thus, it reports that it expects to have dealt with Year 2000 issues well in advance of the event.

The Fiscal Agent also reports that in the unlikely event that its systems fail or the third party vendor systems on which it relies fail (such vendors are but not limited to, those that provide hardware, software and other services), it may lose the ability to service its clients for a period of time. It has developed a contingency plan to deal with Year 2000 issues, including (1) identity or likely contingencies; (2) developing procedures to follow in the event of each contingency; and (3) identifying personnel responsible for each part of its business. The plan is now substantially complete but remains subject to change and refinement.

The Fiscal Agent has provided the foregoing data for informational purposes only, and it is not intended to serve as a representation, warranty, or contract modification of any kind.

DTC's Year 2000 Efforts

DTC has informed its Participants and other members of the financial community (the "Industry") that it has developed and is implementing a program so that its Systems, as the same relate to the timely payment of distributions (including principal and income payments) to securityholders, book-entry deliveries, and settlement of trades within DTC ("DTC Services"), continue to function appropriately. This program includes a technical assessment and a remediation plan, each of which is complete. Additionally, DTC's plans include a testing phase, which is expected to be completed within appropriate time frames. According to DTC, the foregoing information with respect to DTC has been provided to the Industry for information purposes only and is not intended to serve as a representation, warranty, or contract modification of any kind. See "THE BONDS – Book-Entry System" herein. Prospective purchasers of the Bonds should contact the DTC Participants through which they would purchase Bonds in order to determine whether such DTC Participants and DTC itself will be able to successfully address the Year 2000 Problem in a timely and efficient manner.

CONSTITUTIONAL LIMITATIONS ON TAXATION AND APPROPRIATIONS

Article XIIIA 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 XIIIA 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 XIIIA 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 XIIIA 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 XIIIA 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 XIIIB of the State Constitution. Article XIIIB 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 commencing with its report for the 1998-99 fiscal year (the "City Annual Report") and to provide notices of the occurrence of certain enumerated events. Highland Reserve North, L.P., as representative of the owners of the property within the District on the date of issuance of the Bonds, has also 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 April 1, commencing with its report due April 1, 2000 (the "Developer Annual Report") and to provide notices of the occurrence of certain enumerated events. 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 AGREEMENTS." The City did not file in a timely manner 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. Highland Reserve North, L.P.'s obligation to provide such information is in effect only so long as the Developer, or the Developer's successors, are responsible for a certain percentage of the Special Taxes, as described in the Developer Annual Report.

UNDERWRITING

The Bonds were purchased through negotiation by Stone & Youngberg LLC (the "Underwriter"). The Underwriter agreed to purchase the Bonds at a price of $33,019,453.70 (which is equal to the par amount of the Bonds, less the Underwriter's discount of $435,110.00 and less an original issue discount of $15,436.30) plus accrued interest. 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 Cox, Castle & Nicholson LLP, 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. A portion (less than one-sixth) of the fees payable to 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 Cox, Castle & Nicholson LLP, 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 and does not contemplate applying to a rating agency for the assignment of a rating to the Bonds.

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.

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/ Phil E. Ezell
Finance Director

APPENDIX A

CITY OF ROSEVILLE
Highland Reserve North
COMMUNITY FACILITIES DISTRICT NO. 1

RATE AND METHOD OF APPORTIONMENT SPECIAL TAX

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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 Highland Reserve North 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.

"**Anticipated Construction Proceeds**" means $27,300,000 as adjusted annually after the Base Year in accordance with the Engineering News Record Building Cost Index.

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

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

"**Bond Share**" means the Benefit Share for a Parcel multiplied by the applicable total of 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 Highland Reserve North 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 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 a the Bond Year commencing in such Fiscal Year.

"**Final Subdivision Map**" means a recorded map designating the final Parcel splits for individual single-family residential Parcels. A Large-Lot Subdivision Map for single-family residentially zoned land is not considered a Final Subdivision Map for purposes of levying the Special Tax.

"**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.

"**Full Prepayment**" means the Prepayment of a Parcel's entire Maximum Special Tax obligation prior to the termination of Special Taxes for the CFD as a whole.

"**HRN**" means the Highland Reserve North Specific Plan.

"**Large-Lot Subdivision Map**" means a recorded map delineating Parcels by land use and providing the ability to transfer ownership of the delineated Parcels.

"**Maximum 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 Special Tax will be reassigned to the Successor Parcels.

"**Maximum CFD Revenue**" means the sum of the Maximum Special Tax for all of the Taxable Parcels in the CFD.

"**Original Parcel**" means a Specific Plan Parcel as it existed at the time of the adoption of the Resolution of Formation by the Council, as shown on **Attachment 1**.

"**Outstanding Bonds**" means bonds that have been issued by the CFD and not retired or defeased.

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

"**Partial Prepayment**" means a Prepayment for less than the full portion of the Special Tax obligation for a Parcel.

"**Partial Prepayment Factor**" means a factor by which Maximum Special Tax for a Partial Prepayment Parcel is multiplied to calculate an adjusted Maximum Special Tax. The Partial Prepayment Factor for a Partial Prepayment Parcel shall be calculated according to the steps described under Section 7 herein.

"**Partial Prepayment Parcel**" means a Parcel that has had a portion of its Special Tax obligation satisfied with a Prepayment under Section 7 hereof. Such Parcels shall be liable for a Special Tax Levy based on an adjusted Maximum Special Tax. If one or more Successor Parcels are created through the Subdivision of a Partial Prepayment Parcel, each of these Successor Parcels shall also be a Partial Prepayment Parcel. The Partial Prepayment Factor that applies to the Partial Prepayment Parcel prior to Subdivision shall apply to these Successor Parcels.

"**Prepayment**" means the full or partial payment of Maximum 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. These Public Parcels -- so identified at the formation of CFD -- are exempt from the levy of Special Taxes.

"**PWD**" means the Public Works Director for the City of Roseville or his or her designee.

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

"**Reserve Fund Share**" means the amount on deposit in the Reserve Fund, but in any event not to exceed the required bond reserve as defined in the Bond Indenture, multiplied by the Benefit Share for a given Parcel.

"**Special Tax(es)**" mean(s) any tax levy under the Act in the CFD and as set forth in the definition of Annual Costs and Section 6 herein.

"**Specific Plan Parcel**" means the planned Parcels by land use in the HRN. The Original Parcels are all Specific Plan Parcels at the formation of the CFD as detailed on **Attachment 1** and shown on **Attachment 2**.

"**Subdivision**" means a group of Successor Parcels created from an Original Parcel through the Subdivision Map Act process.

"**Successor Parcel**" means a Parcel created by Subdivision, lot line adjustment, or parcel map from an Original 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, and (2) any Parcel that has prepaid its Special Taxes under Section 7 hereof. A

Taxable Parcel acquired by a public agency after formation of the CFD will not be classified as a Tax-Exempt Parcel.

"**<u>Total Facility Cost Share</u>**" means the Benefit Share for a Parcel multiplied by the Anticipated Construction Proceeds for the CFD.

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.

3. 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 2034-2035.

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.

4. ASSIGNMENT OF MAXIMUM SPECIAL TAXES

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

1. Each Parcel to be classified as a Tax-Exempt Parcel or a Taxable Parcel;

2. Each Taxable Parcel to be classified as an Original Parcel, a Successor Parcel, or a Partial Prepayment Parcel.The assignment of the Maximum Special Tax to Taxable Parcels is as follows:

   a) <u>Prior to Recording Large-Lot Subdivision Map</u>—The Maximum Special Tax for a Parcel that includes more than one Specific Plan Parcel shall be determined by summing the Maximum Special Tax for each Specific Plan Parcel included in the

Parcel. If portions of a Specific Plan Parcel are included in more than one Parcel, the Maximum Special Tax for the Specific Plan Parcel shall be divided between the Parcel's it is included in proportional to the land area included in each Parcel.

b) Partial Prepayment Parcels — the Maximum Special Tax for all Partial Prepayment Parcels is assigned by multiplying the Maximum Special Tax from **Attachment 1**, or as otherwise calculated for a Successor Parcel, by the Partial Prepayment Factor for that Parcel.

c) Original Parcel - the Maximum Special Tax for each Original Parcel is as shown on **Attachment 1**.

d) Successor Parcel - the Maximum Special Tax for each Successor 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 Special Tax assigned to the Original Parcel or Successor Parcel, as calculated under (c) above or (d)(ii) below, by the number of single-family residential Parcels or residential condominium units. The result of this calculation is the Maximum 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 Original or Successor Parcel; then,
- multiply this percentage by the Maximum Special Tax assigned to the previous Original Parcel or Successor Parcel. The result of this calculation is the Maximum Special Tax.

e) Residential Unit/Maximum Special Tax Transfer - the Maximum Special Tax assigned to a residential Parcel under (a), (b), (c), or (d) above, may be adjusted to reflect a change in the number of original residential units (as shown in **Attachment 1**) resulting from a transfer of units from one Taxable Parcel to another Taxable Parcel in the following manner:

(i) Calculate the existing Maximum Special Tax per unit by dividing the Maximum Special Tax for the Parcel by the number of units assigned to that Parcel;

(ii) Calculate the total Maximum Special Tax being transferred by multiplying the number of units being transferred by the calculation in (i) above. Add the total Maximum Special Tax and number units being transferred to the Parcel(s) receiving the transferred units and Maximum Special Tax.

(iii) Subtract the total Maximum Special Tax and the number of residential units being transferred, as identified in step (ii) above, from the Parcel transferring the Maximum Special Tax and the residential units.

Such unit and Special Tax transfer will be allowed under the following conditions:

(i) any decrease in one Parcel's Maximum Special Tax assignment is offset by an equal increase in the Maximum Special Tax of other Parcels to ensure that there is no net loss in the total Maximum Special Taxes; and,

(ii) all adjustments are agreed to in writing by the affected property owners and the Finance Director.

f) If the assignment of Maximum Special Taxes to Successor Parcels under step d) above or through a transfer of Maximum Special Tax in step e) above results in unequal Maximum Special Taxes between residential Subdivisions, the revised Maximum Special Taxes may be adjusted further to accommodate a uniform Special Tax between adjacent subdivisions. Such adjustments shall also be subject to the transfer conditions under step e) above.

g) Conversion of a Tax-Exempt Parcel to a Taxable Parcel - if a parcel designated as 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 Special Tax for each such Parcel shall be set equal to the average Maximum Special Tax per unit or acre for Parcels with similar land use designations, as determined by the Finance Director.

h) Taxable Parcels Acquired by a Public Agency — A Taxable Parcel that is acquired by a public agency after the CFD is formed will remain subject to the applicable Special Tax unless the Special Tax obligation is satisfied pursuant to Section 53317.5 of the Government Code. An exception to this may be made if a Public Parcel within the CFD is relocated to a Taxable Parcel, the previously Tax-Exempt Parcel of comparable acreage becomes a Taxable Parcel, and the Maximum 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 Parcel will be established annually as follows:

1) Compute the Annual Costs using the definitions in Section 2.

1) Calculate the Special Tax for each Parcel as follows:

Step 1: Compute 100% of the Maximum Special Tax revenue for all Taxable Parcels.

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

Step 3: If the Annual Costs are less than the Maximum 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 HRN takes place, the Finance Director will maintain a file of each current assessor's parcel number within the CFD and the authorized Maximum Special Tax on all such Parcels available for public inspection. This record shall show the Maximum Special Tax on all Original and Successor Parcels and a brief description of the process of assigning the Maximum Special Tax each time a Successor Parcel was created. The record will also indicate whether a Parcel is a Prepayment Parcel or a Partial Prepayment Parcel.

7. PREPAYMENT OF SPECIAL TAX OBLIGATION

With a Prepayment, a landowner may satisfy all or a portion of the Special Tax obligation on any given Parcel:

Landowners may permanently satisfy all or part 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 a whole Original Parcel greater than one acre or a Successor Parcel greater than ten acres.
- 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.
- Prior to the calculation of the prepayment amount, the landowner must notify the City whether such landowner intends to execute a full Prepayment or Partial Prepayment. If the landowner intends to execute a Partial Prepayment, the landowner shall further notify the City of the dollar amount of the intended Prepayment. In no event shall a Partial Prepayment be for less than twenty-five percent (25%) of the full Prepayment amount.

The Full Prepayment amount shall be established by following the steps in Part A and B below. The Partial Prepayment is calculated by following the steps in Part C below. Transfers from the Reserve Fund for a Full or Partial Prepayment are described in Part D below.

<u>Part A: Prepayment of Outstanding Bond Share</u>

Step A.1: Determine the Maximum Special Tax for the Parcel based on the assignment of the Maximum Special Tax described in Section 5 above.

Step A.2: Determine the "Benefit Share" by dividing the Maximum Special Tax determined in Step A.1 above 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 above 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 above 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 above 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: Remaining Facility Cost Share

Step B.1: Determine the Total Facility Cost Share for the Parcel by multiplying the Benefit Share from Part A, Step A.2 above by the Anticipated Construction Proceeds.

Step B.2: Determine the share of facilities funded by bonds already issued by the CFD for the Parcel by multiplying the Benefit Share by the construction proceeds made available from all such bonds issued by the CFD. These amounts shall be adjusted to the year of Prepayment by using the Engineering News Record Construction Cost Index.

Step B.3: Determine the share of facilities funded with any pay-as-you-go special tax revenues by multiplying the Benefit Share by the total amount of pay-as-you-go funding used to acquire authorized facilities.

Step B.4: Determine the remaining facility cost share for the Parcel by subtracting the results from Steps B.2 and B.3 above from the Total Facility Cost Share determined in Step B.1. (Notwithstanding the above, once the City has issued all bonds for the CFD, the remaining facility cost share shall be set to zero for purposes of this prepayment calculation.)

Step B.5: The Bond Authorization for the CFD shall be reduced by an amount equal to the amount determined in Step B.4 above multiplied by a factor of 1.15.

Step B.6: Combine the amount from Part A Step A.5 with the amount from Part B Step B.4 to arrive at the Full Prepayment amount.

Part C: Partial Prepayments

If the prepayment is a partial prepayment, then the property owner shall designate an amount which is less than the total prepayment amount determined above for the prepaying Parcel (or group of prepaying Parcels) that results in a bond call in a whole number multiple of $5,000. In no event shall a Partial Prepayment be for less than twenty-five percent (25%) of the full Prepayment amount. The City shall then determine the Partial Prepayment Factor by the following procedure:

Step C.1: Subtract the amount of the Partial Prepayment from the Full Prepayment amount calculated in Step B.6 above;

Step C.2: Subtract any fixed costs (such as the cost of the Prepayment calculation and other fees that do not vary proportionally with the size of the prepayment) of the Prepayment from the Full Prepayment amount;

Step C.3: Divide the result of Step 1 by the result of Step C.2 above; and,

Step C.4: If a Partial Prepayment has previously been made for this Parcel, multiply the result of Step C. 3 above times the previously calculated Partial Prepayment Factor.

Part D: Transfers

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

Step D.1: For a Full Prepayment transfer the amount of the Reserve Fund Share.

Step D.2: For a Partial Prepayment, transfer an amount equal to the Reserve Fund Share times one minus the Partial Prepayment Factor.

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.

Attachment 1
Highland Reserve North CFD No. 1
Maximum Special Taxes
By Specific Plan Parcel

Specific Plan Parcel [1]	Residential Units	Maximum Special Tax
1A	79	$103,332
1B	108	$141,264
2	151	$197,508
3A	44	$57,552
3B	89	$116,412
4	135	$176,580
5	65	$85,020
6	83	$108,564
7	96	$125,568
8	94	$122,952
9A	104	$136,032
9B	50	$65,400
10	85	$111,180
20	117	$126,360
30	250	$126,000
31	220	$110,880
40		$93,522
41		$81,774
42A		$120,516
42B		$24,750
43A		$135,960
43B		$6,600
44		$26,136
45A		$11,577
45B		$101,838
46A		$63,162
46B		$71,148
46C		$108,438
47A		$62,304
47B		$62,700
47C		$61,908
Total	**1,770**	**$2,942,937**

"attachment1"

[1] All Taxable Parcels were included in Assessor's Parcel 071-121-30 at the time of CFD formation.

APPENDIX B

THE APPRAISAL

COPY

APPRAISAL REPORT OF
LAND HOLDINGS WITHIN
HIGHLAND RESERVE NORTH
COMMUNITY FACILITIES DISTRICT NO. 1
CITY OF ROSEVILLE, CALIFORNIA

FOR

CITY OF ROSEVILLE
316 VERNON STREET
ROSEVILLE, CALIFORNIA 95678

BY

BENDER ROSENTHAL
4629 WHITNEY AVENUE, SUITE 5
SACRAMENTO, CALIFORNIA 95821

AS OF

AUGUST, 1999

BENDER ROSENTHAL
COMMERCIAL VALUATION AND RIGHT OF WAY SERVICES

August 18, 1999

City of Roseville
316 Vernon Street
Roseville, California 95678

Re: Appraisal Report of
Land Holdings Within
Community Facilities District No. 1
Highland Reserve North
Roseville, California

We have completed an appraisal of the properties to be encumbered by the Highland Reserve North Community Facilities District No. 1 bonds. Our analyses and valuation conclusions are contained in the attached report.

We have made every effort to prepare this self-contained appraisal report of our complete appraisal in conformance with and subject to the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute, which fully incorporate the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation[1]. Please refer to the Special and General Assumptions and Limiting Conditions contained in the report.

We are pleased to have this opportunity to provide you with professional appraisal services.

BENDER ROSENTHAL

Stephen A. Rosenthal, MAI
California Certified General
Real Estate Appraiser
Certificate No. AG002263

Cydney G. Bender, MAI
California Certified General
Real Estate Appraiser
Certificate No. AG017559

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[1] The Appraisal Institute is a national (USA) organization of professional appraisers that self-regulates its members, and the undersigned is a designated Member of the Appraisal Institute (MAI). A Member must at all times adhere to the Institute's ethics code and standards. The Appraisal Foundation has been tasked by the U. S. Congress to set standards and procedures with which state certified appraisers must comply when appraising any property interest involved in a federally regulated transaction.

4629 Whitney Ave., Suite 5 Sacramento, CA 95821 916-978-4900 Fax 916-978-4904

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EXECUTIVE SUMMARY

Appraised Property Identification. This appraisal involves the valuation of the taxable parcels within Highland Reserve North Community Facilities District (CFD) No. 1, Roseville, California. Roseville is located 16 miles northeast of Sacramento and is Placer County's largest city. Sacramento is the state capital and the main city within the California central valley area. The current metropolitan area population is in excess of 1.5 million.

The CFD encompasses 574.4 gross acres of land located in the city of Roseville's Highland Reserve North Specific Plan (HRNSP) area. The proposed CFD boundaries included all the lands in the HRNSP except for a 40.6 acre parcel which was excluded and has subsequently been developed as a church. The CFD area is generally bound by the Blue Oaks Boulevard/Highway 65 interchange on the west, Stanford Ranch Road and the city limits on the east, the State Highway 65 bypass on the south, and the city limits on the north. The CFD area includes an elementary school parcel and four public park parcels. The district is located 3 miles north of downtown Roseville, and is primarily accessed by Highway 65.

The CFD was formed for the purpose of funding approximately $28 million of infrastructure including transportation, wastewater, water, drainage improvement systems, parks, and school site purchase. These bonds encumber individual property parcels, with the special tax on each based on size and land use classification.

The Highland Reserve North Specific Plan area acreage was formerly the area located to the north of State Highway 65 contained within the original North Central Roseville Specific Plan. The North Central Roseville Specific Plan (NCRSP) was adopted July 5, 1990 covering a 2,514 acre area traversed by Highway 65. The Highland Reserve North acreage was designated as "Urban Reserve" in the North Central Roseville Specific Plan (NCRSP) as originally approved. The Highland Reserve North Specific Plan (HRNSP) was adopted May 28, 1997 as an amendment to the North Central Roseville Specific Plan (NCRSP). The Highland Reserve North Specific Plan (HRNSP) extends the basic concepts of community form and design from the North Central Roseville Specific Plan (NCRSP) to the Highland Reserve North area. The Highland Reserve North Specific Plan (HRNSP) provides for a mix of residential and commercial uses. Also included are watershed corridors, public/quasi public space and open space areas.

Area Description and Discussion. During the 1990's the master planned community area that more or less comprises the subject property, commonly referred to as "Highland Reserve", languished because of the recession. However, the recovery of the housing market and the beginning of the development of the Galleria regional mall within the adjacent North Central Roseville Specific Plan area appear to be the catalyst that has precipitated more rapid development of all property types in the immediate area. Vacant commercial land purchased as recently as February 1998 has doubled in value since the regional mall plans and tenant selections were announced. Residential development is rebounding, and commercial, retail and office projects are in great demand.

Planned land uses within the Highland Reserve North Specific Plan area are varied. The land classification with the largest total acreage is residential, constituting 304.26 acres out of a total of 615.04 acres (including 99.96 acres of watershed corridor, right of way and quasi-public church land). Commercial uses utilize another 168.67 acres of the total, and school and park land account for 42.15 acres. The proposed CFD represents 574.4 acres of the HRNSP's 615 acres. All land uses in the Highland Reserve North Specific Plan are outlined in the table below:

Land Use Category	Acres Gross	% of Total Gross Acres
Open Space/Watershed Corridors	35.21	5.7%
Park and Recreation	32.15	5.2%
Residential	304.26	49.5%
Commercial	168.67	27.4%
Public Elementary School	10.00	1.6%
Public/Quasi Public (Church/Private School)	36.55	6.0%
Right of Way	28.20	4.6%
Total	**615.04**	**100%**

Valuation Methodology. The purpose of this appraisal is to form an opinion of the market values of the parcels in the CFD, subject to the *Assumptions and Limiting Conditions and Special Assumptions and Limiting Conditions* later set forth, as of the date of value, August, 1999. The function, or intended use, of the report is to assist the city of Roseville with its bond financing of the Highland Reserve North CFD No. 1. We have made every effort to prepare this self-contained appraisal report of our complete appraisal in conformance with and subject to the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute, which fully incorporate the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation[1]. Please refer to the Special and General Assumptions and Limiting Conditions contained in the report.

The scope of the appraisal involved a) downloading and cataloging data on every existing legal parcel in the CFD; b) inspection of the subject and comparable properties; c) study of the area, community, and neighborhood; d) review of various public records; e) interviews with owners and brokers; f) analyses of all appropriate data to arrive at value conclusions; g) preparation of an absorption

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[1] The Appraisal Institute is a national (USA) organization of professional appraisers that self-regulates its members, and the undersigned are designated Members of the Appraisal Institute (MAI). A Member must at all times adhere to the Institute's ethics code and standards. The Appraisal Foundation has been tasked by the U.S. Congress to set standards and procedures with which state certified appraisers must comply when appraising any property interest involved in a federally regulated transaction.

projection; and h) preparation of this report. Also, past and current real estate market conditions, trends affecting supply and demand, and other economic factors affecting the current and prospective marketability of the respective parcels were investigated and analyzed.

Documents considered include:

- Roseville General Plan 2010,
- Highland Reserve North Specific Plan,
- North Central Roseville Specific Plan, and
- Roseville Planning Department Quarterly Development Activity Report, First Quarter of 1999.

The resulting product is a *Complete Appraisal*, presented in a *Self-contained Report* format.

In the Regional Data Study contained in the Addenda, we reviewed the socio-economic conditions and potential for Sacramento and the region including South Placer County and Roseville. Generally, there appear to be ample reasons to expect the metropolitan area to continue to add population and increase its employment base, consistent with the expectations for California and the rest of the western United States.

The GMP (Gross Metro Product) is similar to the gross domestic product, but measured on a metropolitan basis; it is an excellent gauge of regional health. Overall, the strong projected Sacramento MSA GMP growth (stronger than that of both the United States and Northern California in 1999) is expected to contribute to favorable economic conditions for the development of all Roseville projects. Low interest rates, population growth and high rates of employment are additional positive factors contributing to Roseville's robust land development.

Overall, we conclude that market dynamics are quite favorable in the South Placer area, and that competition from other nearby areas is modest and not likely to significantly impact Roseville market demand.

Generally, all of the properties in the CFD have been appraised using direct, sales comparison approach analyses. The sales comparison analyses resulted in base value determinations for each property type (commercial, multi-family, and single-family residential) and these values were adjusted and applied to each individual property in these various categories so as to determine a "retail" value for each property. Then, the retail values of those properties in each of those categories not considered to be in immediate demand (i.e., those properties that must be absorbed over future time) were discounted so as to determine bulk values for all properties. Finally, all of these values were summed to derive a value indication for the CFD.

Also, for underwriting purposes, the property values were allocated and arrayed by uses. *However, the reader should be cautioned that these allocations in no way constitute individual value conclusions for individual properties.* The allocations are contained in the Addenda.

Value. The appraisers have concluded that the bulk value of the properties contained within the Highland Reserve North CFD No. 1, inclusive of any and all bonded indebtedness, as of August, 1999, would be:

ONE HUNDRED FOUR MILLION, THREE HUNDRED SIXTY THOUSAND DOLLARS
($104,360,000)

This value can also be called the fee simple, or free and clear value, or the value unencumbered by mortgages or other liens.

The value subject to special tax and assessment liens is the cash price that would be paid for a property or group of properties recognizing that special tax payments have to be made. The bulk value of the properties contained within the Highland Reserve North CFD No. 1, subject to anticipated special tax and assessment liens, as of August, 1999, is:

EIGHTY THREE MILLION, ONE HUNDRED FORTY THOUSAND DOLLARS
($83,140,000)

Again, this value is subject to all Special and General Limiting Conditions included in report.

I. INTRODUCTION

Purpose of the Appraisal; Property Rights Appraised

This appraisal involves the valuation of the taxable parcels to be included within Highland Reserve North Community Facilities District (CFD) No. 1. The total land area within the district is approximately 574.4 gross acres. The purpose of the appraisal is to estimate the value of the taxable parcels in the CFD, subject to the *Assumptions and Limiting Conditions and Special Assumptions and Limiting Conditions* later set forth, as of August, 1999. Since all the properties are vacant, only land values have been appraised.

The special assumptions and limiting conditions include the assumption, for valuation purposes, that the planned CFD improvements, as well as the improvements to be paid for from general obligation bond issues, have been completed. Similarly, we have assumed that other infrastructure improvements remaining to be completed are completed more or less in accordance with the time lines presented in applicable plans; i.e., they are completed when they are needed to facilitate the various developers' intentions to develop their respective properties.

Function or Use of the Appraisal

The function of the report is to assist the city of Roseville with its financing of its CFD improvements. A "Special Tax" on the appraised properties will generate the funds necessary to service the bonds. Individual parcels within the district are taxed an amount based on their land use classification and their size. The annual tax amount may vary from year to year over a 37 year term but may not exceed a previously set maximum amount.

The maximum annual special tax per land use is listed below:

Land Use	Maximum Annual Special Tax[2]	
	Per Month	Annual
Low Density Residential	$109/Unit	$1,308/Unit
Medium Density Residential	$90/Unit	$1,080/Unit
High Density Residential	$42/Unit	$504/Unit
Community Commercial	$550/Acre	$6,600/Acre[3]

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[2] Source: Figure 4, Highland Reserve North CFD No. 1, Maximum Special Taxes by Specific Plan Parcel, dated 6/12/99 prepared by Economic & Planning Systems. Resolution of Intention adopted by City of Roseville.

[3] Parcel 45A, the proposed acquisition by Home Depot, has a lower maximum tax of $69/acre/month, or $826/acre/year.

Our discounted cash flow analysis anticipates that the maximum tax amount will be levied in the subject CFD. If less than the maximum tax is levied, the discounted values derived may increase.

Scope of the Appraisal

The scope of the appraisal involved: a) downloading and cataloging data on every existing legal parcel in the CFD; b) inspection of the subject and comparable properties; c) study of the area, community, and neighborhood; d) review of various public records; e) interviews with owners, brokers, city officials and other interested parties; f) analyses of all appropriate data to arrive at value conclusions; and g) preparation of this report. Also, we investigated and analyzed past and current real estate market conditions, trends affecting supply and demand, and other economic factors affecting the current and prospective marketability of the respective parcels. The resulting product is a *Complete Appraisal*, presented in a *Self-contained Report* format.

Subject Property History, and Recent Activity

In November, 1985 the Roseville City Council by resolution amended the Land Use Element of the General Plan. This provided for the development of Specific Plans for four areas of the city, thereafter called the Northeast, Southeast, North Central with its Urban Reserve (the subject property), and Northwest Plan areas. Tentative land use allocations were made, and the General Plan was adopted contingent upon the presentation and approval of Specific Plans and Development Agreements for the subject properties.

All of the land within the subject CFD is located within the Highland Reserve North Specific Plan area. In fact, the Mello Roos boundary map overlays the specific plan with the exception of the Advent Christian Church located to the east of Stanford Ranch Road (this property is excluded from the CFD). The Specific Plan for Highland Reserve North (HRN) amended the North Central Roseville Specific Plan (NCRSP) and builds upon the NCRSP's planning objectives. The CFD is comprised of approximately 574.4 acres (including 101.5 acres of school, park, watershed corridor, and right of way land) within the Highland Reserve North Specific Plan area. Presently, there are six legal parcels, with two ownership vestings in the district.

The area commonly known as Highland Reserve encompasses 662 acres south of Highway 65 within the North Central Specific Plan, and 615 acres north of Highway 65 within the Highland Reserve North Specific Plan. The subject CFD represents 574.4 acres within the Highland Reserve North Specific Plan. An offering of 23 parcels within the Highland Reserve master planned community south of Highway 65 was auctioned during 1996. These parcels had all entitlements necessary for development and much of the infrastructure, including most of the major roadways, had already been installed. The existing infrastructure was funded through the Mello Roos bonds sold by the North Central Roseville Community Facilities District No. 1. Encumbering bonds at the time of the auction were estimated at $28.254 million for these 23 parcels. Allowed uses for these 23 parcels included residential (157.18 acres), commercial (132.11 acres), office (89 acres), and light industrial (105.51 acres). The 23 parcels within the specific plan allowed for development of 1,895 dwelling units on the 157.18 acres designated for residential land use. The listed price per allowed dwelling unit was $7,738.

Balcor, a Chicago real estate investment company and lender, took over the Highland Reserve property in 1992 when RMB Realty, the previous owner, defaulted on the bond payment. Balcor brought the bonds current.

Balcor's North Central Roseville Specific Plan (NCRSP) holdings then consisted of approximately 1,250 acres of land within the North Central Roseville Specific Plan area, and included the approximately 615 acres of urban reserve zoned land space constituting the Highland Reserve North Specific Plan area (which encompasses the property that is the subject of this appraisal) as well as the 23 unsold parcels south of Highway 65 which were subsequently marketed by way of the 1996 auction.

The property was marketed as a "sealed bid sale", with an October 22, 1996 bid deadline. Ten of the 23 parcels were sold; minium bids were not received on the 13 remaining parcels. Balcor had previously entered into a joint venture agreement with Richland Properties, Inc., to develop the 615 acres of urban reserve land which now comprises the HRNSP area, of which 574.4 acres forms the subject CFD. Richland acquired Balcor's remaining interest in Highland Reserve North in December, 1997. Planned development of Highland Reserve North includes 1,300 houses, 470 apartment units, and 169 acres of various commercial uses along with parks and a school described in more detail latter in this report. With the completion of the proposed improvements, the subject will be well positioned to sell. The parcels in the proposed CFD do not have any lien with respect to the NCR CFD No. 1 bonds.

Considering that the land is not actively marketed, the receipt of multiple offers confirms the market's demand for lands adjacent to the new mall, as well as demand for land in the Roseville market. The paragraphs below summarize recent activities and unsolicited offers within the proposed district as designated by the specific plan parcel numbers shown on page 28.

Parcel 45A (Home Depot Power Center Site)-An application for a second Home Depot site in the northern Roseville area has been submitted for development on the 14-acre Parcel 45A. This parcel is currently under contract for approximately $7.64 per square foot, subject to bonds.

Parcels 44 and 45B. This 19.4 acre site is under contract to a shopping center developer for approximately $9.00 per square foot, subject to bonds, and the sale is scheduled to close to a retail developer in October 1999 for commercial uses.

Parcel 41 & 47C. Letters of intent are currently being exchanged with two large box retailers. Terms were not disclosed.

Parcel 46A, B & C. Letters of intent are currently being exchanged with two large box retailers for approximately 27 acres. Terms were not disclosed.

Parcel 40. Letters of intent are being exchanged with a shopping center developer. Terms were not disclosed.

Parcel 43A. Contract negotiations are proceeding with a fast food/gas station co-brand for 65,000 square feet at Stanford Ranch Road and Fairway Drive. Contract price is $1,100,000 or $16.92 per square foot, subject to special taxes. Declined offers included an interested retail developer.

Parcel 43. Interest is being expressed by a restaurant user.

Residential Offers - There have been a number of unsolicited offers to purchase the residential portion of the subject property. To date, Richland Properties Inc. has not actively pursued any of these offers.

Definitions Used in the Report

Market Value is the most probable price in cash or terms equivalent to cash for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue stress.[1]

Fee Simple Estate[2] is the absolute ownership of real property unencumbered by any other interest, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.

"As Is". The state, condition, or premise in which all existing and known future enhancements, faults, encumbrances, and conditions affecting the property rights being appraised are recognized and taken into account in the valuation process. For instance, the value effect of present or future bond encumbrances, likely extraordinary building costs, etc., would be evaluated. The value is based upon the conditions observed upon the most recent inspection, and as the property physically and legally exists without hypothetical conditions, assumptions, or qualifications. The "as is" condition is usually the state in which a property is available for purchase.

Reasonable Exposure Time[3] is 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.

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[1] *Appraisal Standards for Land-Secured Financings*, California Debt Advisory Commission, 94-6, page 9.

[2] THE APPRAISAL OF REAL ESTATE (Tenth Edition), Appraisal Institute, Chicago, Illinois, 1992, p. 122.

[3] UNIFORM STANDARDS OF PROFESSIONAL APPRAISAL PRACTICE, 1995 Edition, Statement 6.

Retail Value. Retail Value is an estimate of what an end user would pay for a finished property under the conditions requisite to a fair sale.[4] In this appraisal, a property would be considered "finished" if it were in a state where it could be purchased and then developed shortly thereafter. This implies that major infrastructure were in place to the property boundaries, and that at least a large parcel tentative map was approved for the property. For example, a parcel that is mapped for 200 single family lots, but upon which no improvements have been installed (i.e., they were "paper" lots), is nevertheless a finished property for purposes of this appraisal.

Free and Clear Value; Fee Simple Value. This is the value subject only to the four governmental powers, and not encumbered by any bonds, Mello-Roos or otherwise, and not paying any special taxes.

Value Subject to Special Tax and Assessment liens. This is the cash price that would be paid for a property or group of properties, assuming that annual special tax payments have to be made.

Bulk Sale Value. Bulk Sale Value is the most probable price, in a sale of *all* parcels within a tract or development project, to a single purchaser or sales to multiple buyers, over a reasonable absorption period discounted to present value, as of a specified date, in cash, or in terms equivalent to cash, for which the property rights should sell after reasonable exposure, in a competitive market under all conditions requisite to a fair sale, with buyer and seller each acting prudently, knowledgeably, and for self interest, and assuming that neither is under undue stress.[5]

Date of Valuation and Date of the Report

The date to which the value estimate applies is August, 1999. The date of the report is the date of the letter of transmittal, August 18, 1999.

Special Assumptions and Limiting Conditions

The values derived are based on the assumption that all infrastructure to be paid for with bond proceeds -- proceeds from the subject CFD as well as from other, previous improvement districts -- has been completed and is in place. Other taxes that affect portions of the subject property include the City of Roseville Elementary and Roseville High General Obligation Bonds.

Assumptions and Limiting Conditions

This appraisal report and the value estimates it contains are expressly subject to the following assumptions and/or limiting conditions.

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[4] *Appraisal Standards for Land-Secured Financings,* California Debt Advisory Commission, 94-6, page 9.

[5] Ibid.

1. Title to the property is marketable.

2. No survey of the property has been made and proposed property lines as they appear on the ground and in plat maps are assumed to be correct.

3. Data, maps, and descriptive data furnished by the client or his representatives are accurate and correct.

4. No responsibility is assumed for matters of law or legal interpretation.

5. No conditions exist that would affect the use and value of the property that are not discoverable through normal, diligent investigation.

6. The valuation is based on information from sources believed reliable, and such information is correct and accurately reported.

7. The value estimates are made subject to the purpose, date, and definition of value.

8. The report is to be considered in its entirety and use of only a portion will invalidate the appraisal.

9. This appraisal was made on the premise that there are no encumbrances prohibiting utilization of the property under the appraiser's estimate of highest and best use.

10. Possession of this report or a copy does not carry with it the right of publication, nor may it be used for any purpose or function other than those stated in the report, nor may it be used by anyone other than the client without the previous written consent of the appraiser and the appraisal firm, and then only with proper qualifications and arrangements, possibly including the payment of an additional fee to the appraisal firm.

11. Disclosure of the contents of this appraisal report is governed by the By-Laws and Regulations of the Appraisal Institute. The report is subject to review by duly authorized representatives of the Appraisal Institute. No part of this narrative report may be reproduced by any means nor disseminated to the public in any way without the prior written consent of the appraiser. Dissemination of the Executive Summary and certain other sections within the planned bond underwriting official statement is permitted. Also, the appraisers understand that the appraisal will become public information.

12. The liability of the appraisers, the appraisal firm, and its employees and associates is limited to the client only and to the fee actually received by the appraisal firm. There is no accountability, obligation, or liability to any third party. If the appraisal report is disseminated to anyone other than the client, the client shall make such party or parties aware of all limiting conditions and assumptions affecting the appraisal assignment. Neither the appraiser nor the appraisal firm are

in any way to be responsible for any costs incurred to discover or correct any physical, financial, and/or legal deficiencies of any type present in the subject property.

13. Any person or entity who obtains or reads this report, or a copy, other than the client specified in this report, expressly assumes all risk of damages to himself or third persons arising out of reliance on this report and waives the right to bring any action based on the appraisal, and neither the appraisers nor the firm of Bender Rosenthal shall have any liability to any such person or entity.

14. The appraiser shall not be required to give testimony or appear in court by reason of this appraisal with reference to the property described in this report unless prior arrangements have been made.

15. No responsibility is assumed for building permits, zone changes, engineering, or any other services or duty connected with legally utilizing the subject property.

16. Unless otherwise stated in this report, the existence of hazardous material, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property, except as discussed in the report. The appraiser, however, is not qualified to detect such substances. The presence of such substances as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.

17. Portions of the property appraised may be subject to the Americans with Disabilities Act of 1990 (ADA). Title III of this act provides for penalties for discrimination in failing ". . . to remove architectural barriers . . . in existing facilities [unless] an entity can demonstrate that the removal . . . is not readily achievable. . ." Unless otherwise noted in this appraisal, it is assumed that the property appraised is not substantially impacted by this law. However, no detailed compliance review has been undertaken by the appraiser, nor is the appraiser an expert in ADA matters.

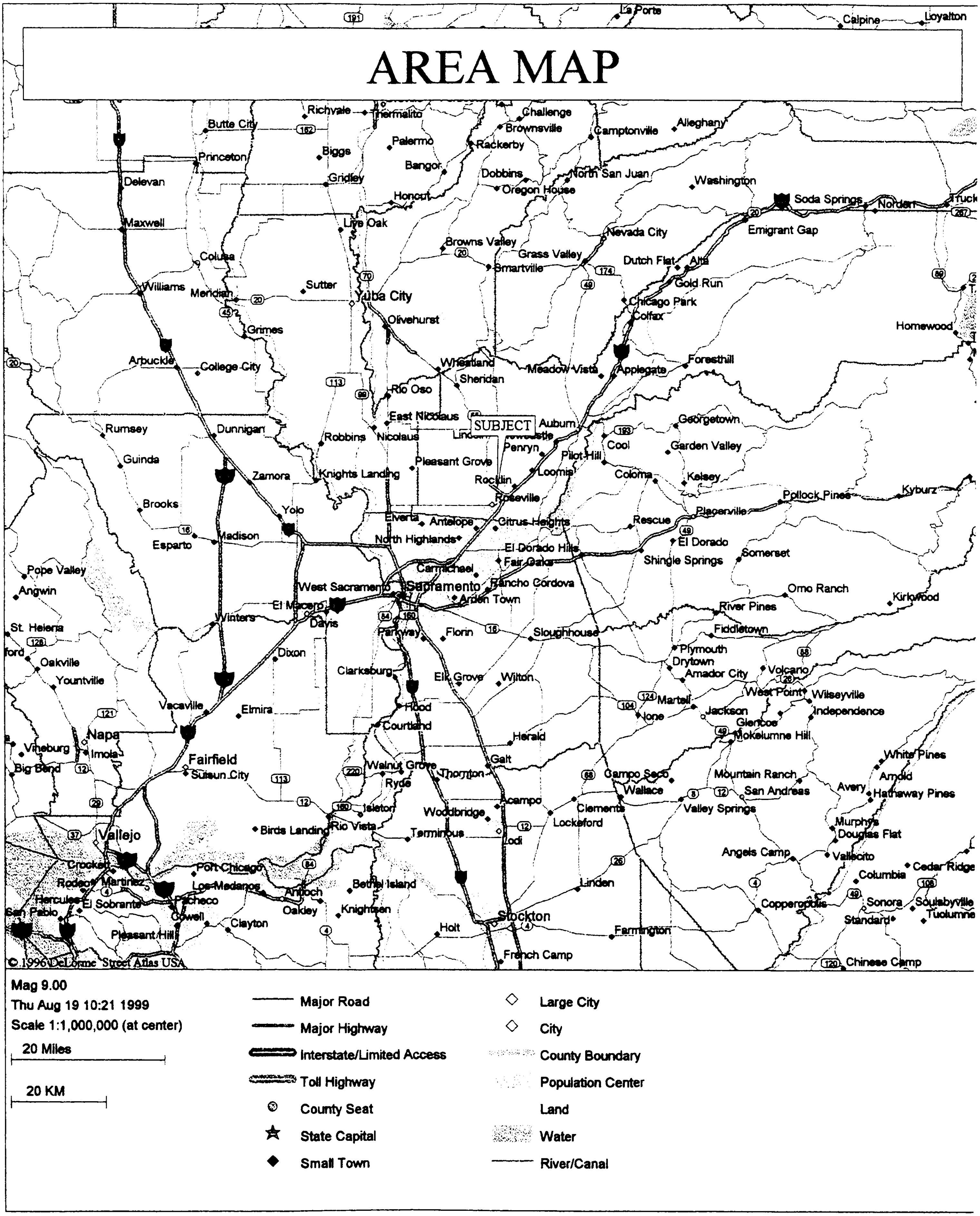
18. It is assumed that the various properties would receive competent management and marketing.

Additional Matters

1. The appraiser uses the first person singular and plural pronoun forms interchangeably.

2. Since the English language does not include a gender neutral personal pronoun in the third person singular case, the appraiser uses the pronoun "he", even if the unnamed party could be a "she".

AREA MAP


La Porte
Calpine
Loyalton
Richvale
Thermalito
Challenge
Brownsville
Camptonville
Alleghany
Butte City
Palermo
Rackerby
Biggs
Princeton
Bangor
Gridley
Dobbins
North San Juan
Washington
Delevan
Oregon House
Honcut
Soda Springs
Norden
Truck
Maxwell
Live Oak
Emigrant Gap
Nevada City
Browns Valley
Grass Valley
Colusa
Smartville
Dutch Flat
Alta
Gold Run
Williams
Meridian
Sutter
Yuba City
Chicago Park
Colfax
Olivehurst
Homewood
Grimes
Arbuckle
College City
Wheatland
Meadow Vista
Applegate
Foresthill
Sheridan
Rio Oso
East Nicolaus
SUBJECT
Auburn
Georgetown
Rumsey
Dunnigan
Lincoln
Newcastle
Cool
Garden Valley
Robbins
Nicolaus
Penryn
Guinda
Pleasant Grove
Pilot Hill
Zamora
Knights Landing
Loomis
Coloma
Kelsey
Rocklin
Pollock Pines
Kyburz
Brooks
Roseville
Yolo
Placerville
Elverta
Antelope
Citrus Heights
Rescue
Esparto
Madison
North Highlands
El Dorado
El Dorado Hills
Fair Oaks
Shingle Springs
Somerset
Pope Valley
Carmichael
Angwin
West Sacramento
Sacramento
Rancho Cordova
Omo Ranch
Kirkwood
El Macero
Arden Town
Davis
Winters
River Pines
St. Helena
Parkway
Florin
Sloughhouse
Fiddletown
Plymouth
Oakville
Dixon
Drytown
Yountville
Clarksburg
Amador City
Volcano
Elk Grove
Wilton
West Point
Wilseyville
Martell
Vacaville
Hood
Ione
Jackson
Independence
Elmira
Glencoe
Napa
Courtland
Mokelumne Hill
Vineburg
Imola
Herald
Fairfield
White Pines
Big Bend
Suisun City
Walnut Grove
Galt
Campo Seco
Mountain Ranch
Arnold
Thornton
Ryde
Wallace
Avery
Hathaway Pines
San Andreas
Isleton
Acampo
Clements
Woodbridge
Valley Springs
Lockeford
Murphys
Birds Landing
Rio Vista
Vallejo
Terminous
Douglas Flat
Lodi
Angels Camp
Vallecito
Crockett
Port Chicago
Columbia
Cedar Ridge
Rodeo
Martinez
Los Medanos
Bethel Island
Linden
Hercules
El Sobrante
Pacheco
Antioch
Sonora
Soulsbyville
San Pablo
Oakley
Copperopolis
Standard
Tuolumne
Cowell
Knightsen
Clayton
Pleasant Hill
Holt
Stockton
Farmington
French Camp
Chinese Camp
191
162
20
174
49
70
89
45
113
99
65
193
16
160
84
128
88
124
104
121
12
29
220
37
4
26
108
120
©1996 DeLorme Street Atlas USA
Mag 9.00
Thu Aug 19 10:21 1999
Scale 1:1,000,000 (at center)
20 Miles
20 KM
Major Road
Major Highway
Interstate/Limited Access
Toll Highway
County Seat
State Capital
Small Town
Large City
City
County Boundary
Population Center
Land
Water
River/Canal

II. REVIEW OF SACRAMENTO AREA CONDITIONS

The subject properties are located about 23 miles northeast of downtown Sacramento in the city of Roseville, Placer County, California. The Sacramento Metropolitan Area, including especially the counties of Sacramento, Placer, El Dorado and Yolo, is strategically located with respect to transportation corridors and agricultural production within California's huge Central Valley region. The metropolitan area benefits from being the capital and center of government for the state of California. The state currently has a population exceeding 32 million and a gross domestic product that, if compared to that of other nations, would be among the top ten in the world. According to the U.S. Census Bureau, the Sacramento-Yolo consolidated Metropolitan Statistical Area (CMSA) population is in excess of 1.563 million; this is approximately 5 percent of California's total population.

The area's population is well educated, relatively young, and used to working at wage scales that are below those found in the larger, coastal cities. Local employment, which is very dependent on government (30+ percent of jobs, 60+ percent of economic base), was adversely impacted by the national recession and California depression of the early 1990s, but less so than many other metropolitan areas of California. Now that national, regional and local economic conditions are again robust and continue to improve, the Sacramento region is experiencing vigorous job growth and economic activity, but not quite to the extent that is being reported for some other areas of California, most notably the San Francisco and Orange County areas. In fact, these areas are reporting incredibly low unemployment rates, and labor shortages in some fields.

UNEMPLOYMENT SUMMARY

AREA:	RATE:
United States (May, 1999)	4.0%
California (May, 1999)	4.9%
Sacramento MSA (May, 1999)	**3.9%**
Vallejo-Fairfield-Napa MSA (May, 1999)	4.0%
San Francisco MSA (May, 1999)	2.3%
San Jose MSA (May, 1999)	3.0%
San Diego MSA (May, 1999)	3.0%
Orange County MSA (May, 1999)	2.5%
Yolo PMSA (Yolo County) (May, 1999)	3.9%

Source: California EDD

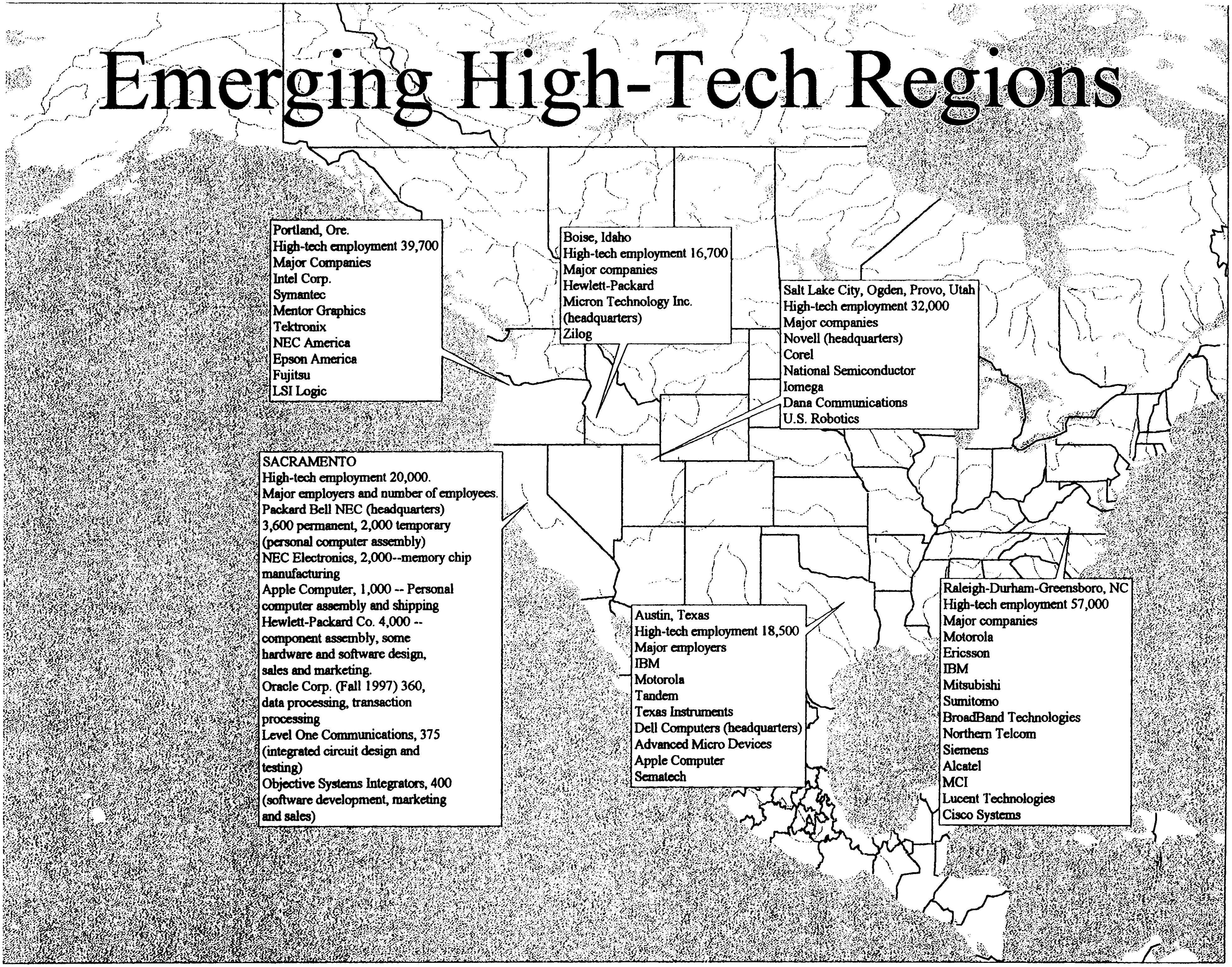
The total number of jobs in the local economy was restored to pre-recession levels in early 1995, and job growth has continued steadily since then. Over the last twelve months Sacramento area payrolls expanded in most major industries, but the rapidly growing services industry experienced the largest gain, accounting for over 40% of the 18,800 jobs added between December 1997 and December 1998. The construction industry experienced a 3,600-job increase, accounting for a gain of over 10% during the year. Smaller increases occurred in other sectors. The manufacturing sector actually experienced a decline of 800 jobs over the past year due to cutbacks in the computer manufacturing. Sacramento's growing reputation as a technology center was significantly enhanced by Oracle's announcement in late 1996 that they would build a major facility in the suburban Sacramento community of Rocklin. The first phase of that project is now complete. Oracle joins Hewlett-Packard Co., Intel Corp., Packard Bell NEC, Apple Computer, JVC and NEC Electronics as technology companies with major facilities in the area. While the local technology base is small compared to that of the Silicon Valley, it is comparable to that existing in some other cities with reputations for growing technology industries, such as Austin, Texas, for example (see graphic, next page). High-tech manufacturing is not a panacea for Sacramento, however, as it has constituted only 6% of job growth over the past year, about the same as retail trade.

One local employment negative on the horizon is the pending closure of McClellan Air Force Base, currently an employer of over 10,000 persons. Although efforts are being made to retain some of these jobs under a civilian structure, most of them are likely to be phased out over the next three to five years.

The McClellan situation notwithstanding, the area's overall desirability as a place to live and work should positively impact the local economy and real estate values in the long run. Even commercial land values in the immediate McClellan vicinity have been increasing recently. We believe that properties of recognized quality in higher demand areas will experience renewed value appreciation during the remainder of the decade, but that property values in lower demand areas will languish.

A more detailed description of the region is contained in the Addenda.

Emerging High-Tech Regions



Portland, Ore.
High-tech employment 39,700
Major Companies
Intel Corp.
Symantec
Mentor Graphics
Tektronix
NEC America
Epson America
Fujitsu
LSI Logic

Boise, Idaho
High-tech employment 16,700
Major companies
Hewlett-Packard
Micron Technology Inc. (headquarters)
Zilog

Salt Lake City, Ogden, Provo, Utah
High-tech employment 32,000
Major companies
Novell (headquarters)
Corel
National Semiconductor
Iomega
Dana Communications
U.S. Robotics

SACRAMENTO
High-tech employment 20,000.
Major employers and number of employees.
Packard Bell NEC (headquarters) 3,600 permanent, 2,000 temporary (personal computer assembly)
NEC Electronics, 2,000--memory chip manufacturing
Apple Computer, 1,000 -- Personal computer assembly and shipping
Hewlett-Packard Co. 4,000 -- component assembly, some hardware and software design, sales and marketing.
Oracle Corp. (Fall 1997) 360, data processing, transaction processing
Level One Communications, 375 (integrated circuit design and testing)
Objective Systems Integrators, 400 (software development, marketing and sales)

Austin, Texas
High-tech employment 18,500
Major employers
IBM
Motorola
Tandem
Texas Instruments
Dell Computers (headquarters)
Advanced Micro Devices
Apple Computer
Sematech

Raleigh-Durham-Greensboro, NC
High-tech employment 57,000
Major companies
Motorola
Ericsson
IBM
Mitsubishi
Sumitomo
BroadBand Technologies
Northern Telcom
Siemens
Alcatel
MCI
Lucent Technologies
Cisco Systems

III. DESCRIPTION OF THE ROSEVILLE AREA AND THE CFD AREA

General Description. The City of Roseville is located in the south Placer County area of the Sacramento metropolitan region, along the eastern portion of the Highway 65 corridor, as shown on maps contained later in this section. It is situated approximately 20 miles northeast of downtown Sacramento, and is one of five cities in south Placer County. Roseville consists of about 29 square miles and has an estimated population of 71,600 (as of January 1999), a 13% increase from 1997. The city provides full urban services including sewer, water, police and fire protection, street maintenance, and street lighting.

In recent years Roseville has become a major business and residential center in the Sacramento region. Interstate 80 provides easy access to Sacramento and the San Francisco Bay Area and the Pacific Coast on the west, and the Sierra Nevada Mountains and Lake Tahoe to the east.

Roseville maintains high standards for public services and facilities, such as parks, which are more numerous in the city than in other areas in the region. All new neighborhoods have landscape corridors and design standards that contribute to the quality of the area. Most of the schools are new, and they are designed to accommodate growth. The Roseville Automall, one of the world's largest auto malls is developed on 90 acres with 14 dealerships. As a result of the auto mall's success, Roseville's tax revenue is 200 percent more than the state average; the mall sales taxes represent 42% of Roseville's total sales tax revenue.

In addition to Roseville, the south Placer County area includes the cities of Rocklin, Lincoln, Loomis, and Auburn. This area emerged during the late 1980s as one of the most active suburban growth areas in the Sacramento region. Although Rocklin has generally been the most rapidly growing community in South Placer County in recent years, Roseville is the dominant community in this area and is the focal point for residential, commercial, and industrial activity in this area.

Roseville, Rocklin, and Lincoln form a triangle that is the heart of the South Placer area. These cities are growing and expanding toward each other to form one large urban community. Their spheres of influence or recently annexed areas now encompass almost all of the southwest portion of the county, including the area north of Roseville on the west side of Highway 65; the northwest side of Rocklin to Highway 65 on the west; and a vast land area south of Lincoln to the northern boundaries of Roseville and Rocklin.

Population and Growth Trends. The populations of Roseville, Rocklin, and Lincoln are shown in the following table. These areas are growing at a faster pace than the total populations of Placer County, Sacramento County, and the State of California. Rocklin has been the fastest growing area in Placer County over the past fourteen years, followed by Roseville.

POPULATION GROWTH 1981, 1999[6]			
AREA	1981	1999	(% Increase from 1981)
Roseville	25,100	71,600	[illegible]
Rocklin	7,500	31,700	322.7%
Lincoln	4,230	8,775	107.4%
Placer County	121,200	225,875	86.4%
Sacramento County	797,700	1,177,900	47.7%
State of California	24,013,200	33,773,000	40.6%

Placer County is growing faster than the Sacramento metropolitan area and California as a whole. The county's current population of 225,875 is 30% higher than in 1990. Officials project the population will grow to 286,100 by 2005. The combined population of Roseville and Rocklin is expected to increase to approximately 173,100 by the year 2015, a 67% increase.

In comparison, the population of greater Sacramento grew by 19 percent between 1990 to 1999 and is projected to grow another 15 percent by 2005. California, which grew by 12 percent between 1990 and 1999, is projected to grow another 8 percent by 2005.

The following table summarizes Roseville's anticipated population and job growth:

	Population	Employment
1990	44,685	28,349
1995	56,500	39,234
1997	63,479	43,262
1999	71,600	47,450
2000 (Estimate)	73,814	49,304
Change 1990-1999	26,915	19,101
Percent Change 90-99	60.2%	67.4%

Source: California Department of Finance, Sacramento Area Council of Governments

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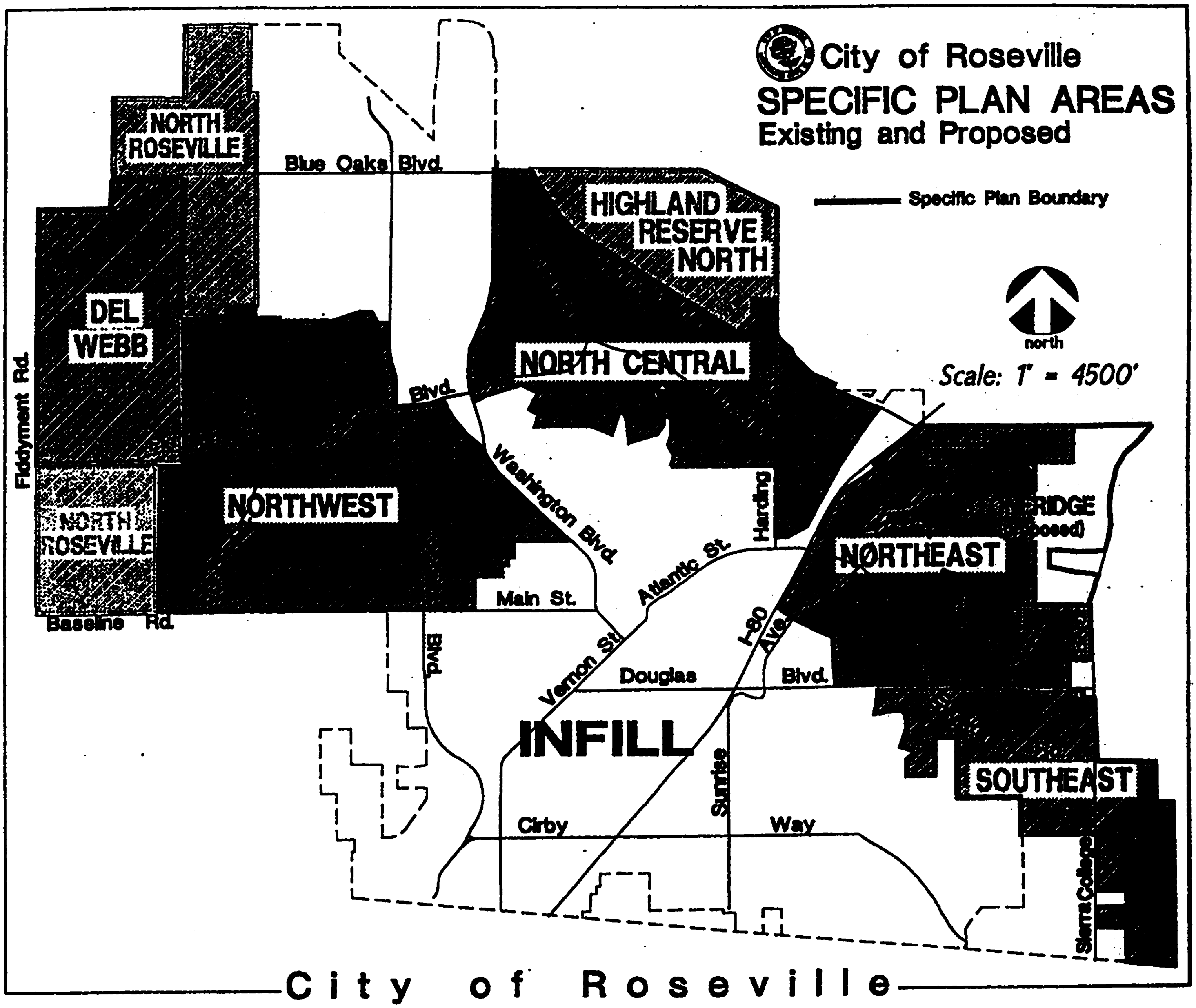
[6] POPULATION ESTIMATES FOR CALIFORNIA CITIES AND COUNTIES, JANUARY 1, 1999, Department of Finance, State of California.

Employment and Development Activity. The South Placer area has emerged as one of the leading manufacturing and industrial areas in the Sacramento region because of:

- The abundance of large tracts of industrial zoned land;
- The availability of water, sewer, and other infrastructure improvements;
- The reasonable tax base;
- The area's proximity to Interstate 80 and the 1987 opening of the Highway 65 bypass connecting Interstate 80 with the industrial areas to the north.

COMMUNITY MAP - SOUTH PLACER COUNTY



Six of the twenty-five largest Sacramento area manufacturing firms are located in the south Placer area. These are listed in the table below.

LARGEST SACRAMENTO AREA MANUFACTURERS IN SOUTH PLACER COUNTY*

RANKING	NAME/LOCATION	NO. OF FULL-TIME EMPLOYEES	PRODUCTS	YEAR EST. IN AREA
1	Hewlett-Packard Co., Roseville	5,400	Computer-related equipment	1979
3	PRIDE Industries, Roseville	2,200	Electronic cables, electro-mechanical and circuit board assemblies, wood pallets and crates, rubber stamps, plaques, and advertising specialties	1983
4	NEC Electronics Inc., Roseville	1,500	Semiconductor devices	1983
20	Herman Miller, Inc., Rocklin	405	Open office systems furniture for office and healthcare environments	1989
22	Formica Corp., Rocklin	400	Formica brand high-pressure decorative laminate	1965
24	Sierra Pacific Industries	317	Lumber and a congregate care facility in Lincoln	1991
Total		10,222		

* Business Journal, April 30, 1999.

These 10,222 employees represent approximately 36% of the total employed by the 25 largest Sacramento area manufacturers. Other major employers in Roseville are shown in the table below.

ADDITIONAL PRIVATE SECTOR EMPLOYERS

COMPANY	NO. OF FULL-TIME EMPLOYEES
Hewlett-Packard	5,400
PRIDE Industries	2,200
NEC Electronics Inc.	1,500
Sutter Roseville Medical Center	1,322
Union Pacific Railroad	1,200
Kaiser Permanente	1,070
Roseville Communications	638
Excel Logistics North America	200
PASCO Scientific	170

*City of Roseville Community Economic Profile, January 1999, and other sources.

The following table shows the city's employment by sector.

Sector	Employment	Percent
Services	16,940	35.7%
Wholesale/Retail	13,240	27.9%
Durable Manufacturing	8,020	16.9%
Finance, Insurance & Real Estate	3,270	6.9%
Construction	2,560	5.4%
Government	1,570	3.3%
Transportation	1,140	2.4%
Agriculture	470	1.0%
Non-Durable Manufacturing	240	0.5%
Total	47,450	100%

Source: Sacramento Area Council of Governments, California Employment Development Department, Labor Market Division

South Placer County's share of Sacramento area manufacturing employees is likely to continue to increase as facilities for some of the previously mentioned firms, and other firms shown in the table below, come on line.

MAJOR INDUSTRIAL, MANUFACTURING, AND HIGH-TECH DEVELOPMENT ACTIVITY AND EXPANSION

NO.	NAME/LOCATION	ACREAGE OWNED	YEAR PURCHASED	REMARKS
1	Hewlett-Packard The Foothills, Roseville	500	1979	1.3 million square feet of buildings, on approximately 200 acres housing most of its 5,400 South Placer County employees; the largest employer in Placer County. Proposed expansion to 4.25 million square feet to accommodate up to 13,800 employees during the next 20 to 25 years. HP estimates that approximately 3 million square feet, or 70% of the site, will be developed by the year 2010.
2	NEC Electronics The Foothills, Roseville	154.4	1982, 1989, and 1994	741,300 SF of buildings including a semiconductor chip manufacturing plant, and a chip fabrication addition, for a total investment of over $1 billion. There are currently 1,500 employed at this facility. There are plans for a $1.1 billion expansion totaling 750,000 square feet of new buildings on 80-acres north of the existing facilities.
3	Herman Miller Stanford Ranch, Rocklin	156	1985	Phase I (335,210 SF) of a proposed 750,000 square foot facility is completed and employs 405 people in this western regional furniture manufacturing and distribution facility.
4	Ace Hardware Stanford Ranch, Rocklin	27	1987	A 484,000 square foot West Coast distribution center is completed and employs approximately 196 people. It is the largest distribution facility in Ace's nationwide system and supplies 480 Ace Hardware stores in the western United States.
5	H.B. Fuller The Foothills, Roseville	40	1987	A 71,300 square foot $10 million industrial adhesives manufacturing plant is completed. This facility is a consolidation of three other smaller West Coast operations.
6	Latham Lumber The Foothills, Roseville	28.3	1987	A 42,000 square foot retail, office, and industrial building is completed and includes large exterior storage areas. Atlantic Door and Country Homes are located in this facility with Latham Lumber.
7	Albertson's Inc. The Foothills, Roseville	63	1988	A 328,715 square foot distribution warehouse is completed. There are 150 employees at this facility. Approval has been granted for additional expansion (Phase II), a 122,000 SF cold storage facility.
8	PASCO Scientific Foothills Business Center, Roseville	10.7	1988	A 42,800 square foot manufacturing, warehouse, and office building is completed. This company relocated from Hayward and employs about 170 people. The company completed Phase II, a 45,090 square foot expansion that includes manufacturing/warehouse space with support offices and core service areas.
9	Wells Fargo Bank Stanford Ranch, Rocklin	126.8	1990	A two million square foot business center facility is planned for this site. The bank originally expected to grow to 1,000 employees in five years and 3,000 employees when the project is finished over a 10-year period from start of construction.
10	The Gap Stanford Ranch, Rocklin	6.9	1990	A 40,000 square foot data processing center is completed on this site.
11	Oracle Rocklin	35	1997	Constructed a 100,000 SF data processing center with 360 employees.
Total		1,288.1		

In addition to the direct industrial development shown in the preceding table, major real estate developers from the Sacramento region, other parts of California, and the western United States gained control of thousands of acres of what was thought to be prime, near-term development land in the Roseville-Rocklin-Lincoln/Highway 65 corridor area of South Placer County during the late 1980s. Some of these developers have planned and are now developing large industrial, residential, and commercial projects in this area. Others have yet to begin. A list of some of the largest developers and development projects is shown in table below.

<table>
<tr><th colspan="4">MAJOR DEVELOPERS OF LARGE ACREAGE:
ROSEVILLE-ROCKLIN-LINCOLN/HIGHWAY 65 CORRIDOR</th></tr>
<tr><th colspan="2">DEVELOPER/TYPE OF PROJECT</th><th>PROJECT NAME/ IDENTIFICATION/LOCATION</th><th>SIZE/ ACRES</th></tr>
<tr><td>1</td><td>STANFORD RANCH/ MORGAN STANLEY & CO.
Industrial</td><td>The Foothills/Foothills Business Center - North Roseville Industrial Area, Roseville</td><td>259</td></tr>
<tr><td>2</td><td>DEL WEBB CORP.
An almost complete Adult Residential Retirement Community</td><td>Sun City - Roseville, North Roseville. This project opened in May 1994 with approximately 3,100 units sold to date.</td><td>1,200</td></tr>
<tr><td>3</td><td>LIVE OAK ENTERPRISES/CALPERS
Planned Residential Golf Course Community</td><td>Whitney Oaks, formerly Stanford Oaks, Portion of 3,500-Acre Stanford Ranch Planned Community - Rocklin</td><td>1,062</td></tr>
<tr><td>4</td><td>RICHLAND/BALCOR PROPERTIES INC.*
Mixed-use: Residential, Industrial, Commercial, and Urban Reserve</td><td>Highland Reserve - Most of North Central Specific Plan Area, Roseville</td><td>**1,948</td></tr>
<tr><td colspan="4">* BALCOR sold a joint venture interest in the northern 615 acres to Richland Properties Inc. on May 29, 1996
** Approximately 330 acres was subsequently sold to mostly residential developers.</td></tr>
<tr><td>5</td><td>JMC
Planned Residential</td><td>Formerly California Centre Roseville - North Roseville Industrial Area, Roseville</td><td>140</td></tr>
<tr><td>6</td><td>THE SARES COMPANY
Residential, Golf Course, Some Commercial</td><td>Woodcreek Oaks - Large portion of the Northwest Specific Plan Area, Roseville</td><td>*1,100</td></tr>
<tr><td colspan="4">* Approximately 350 acres was subsequently sold to residential developers, and about 200 acres is being developed with a public golf course.</td></tr>
<tr><td>7</td><td>ELLIOTT HOMES
Residential</td><td>The Foothills - Large portion of Northwest Specific Plan Area, Roseville</td><td>800</td></tr>
<tr><td>8</td><td>ALLEGHANY PROPERTIES, INC
Commercial</td><td>Gateway Center - Portion of North Central Specific Plan Area, Roseville</td><td>158</td></tr>
<tr><td>9</td><td>ELLIOTT HOMES
Residential</td><td>Cavitt Ranch - Roseville, Rocklin, Unincorporated Placer County at Sierra College Boulevard</td><td>921</td></tr>
<tr><td>10</td><td>BUZZ OATES
Industrial, Residential, Golf Course</td><td>Lincoln Airpark (Portion) - Lincoln</td><td>704</td></tr>
<tr><td>11</td><td>FERRARI RANCH
Residential -- with lake</td><td>Ferrari Ranch, Southeast Lincoln - Sphere of Influence of Lincoln; Sold to Del Webb</td><td>416</td></tr>
</table>

MAJOR DEVELOPERS OF LARGE ACREAGE: ROSEVILLE-ROCKLIN-LINCOLN/HIGHWAY 65 CORRIDOR		
DEVELOPER/TYPE OF PROJECT	PROJECT NAME/ IDENTIFICATION/LOCATION	SIZE/ ACRES
12 CSY INVESTMENTS Mixed Use -- mostly Residential	Lincoln Crossing (formerly Rancho Ganadero) and Eastpark - Sphere of Influence of Lincoln	1,147
13 UNKNOWN Mixed Use	Orchard Creek - Sphere of Influence of Lincoln	1,095
14 STANFORD RANCH, INC. Planned Residential Community	Stanford Ranch West - Sunset Industrial Area	2,758
15 DOMINION ENTERPRISES INC. /BUZZ OATES, ET AL Planned High-End Residential	Clover Valley Lakes - Rocklin Sphere of Influence; Annexed to Rocklin by Buzz Oates; 642 acres planned for 974 homes.	622
16 TERRAQUEST Industrial Business Park	Placer Corporate Center - Sunset Industrial Area	106
17 PLACER HOLDINGS, INC. (YEUNG FAMILY) Residential	Eastridge/Placer Ranch - Sphere of Influence of Lincoln	401
18 PLACER HOLDINGS, INC./DEL WEBB Residential	Twelve Bridges/Sun City Lincoln Hills	4,600
19 WHITNEY OAKS/STANFORD OAKS Residential	Park Drive @ Stanford Road Rocklin	1,060
20 BICKFORD RANCH	Sierra College Boulevard at Highway 193 Influence of Lincoln	1,950
Total:		23,062

The 9,144-acre Dry Creek West Placer Community Plan area is also included in the South Placer County area. However, about half of this area is designated to remain in agricultural use, and most of the remainder is designated for low-density residential use.

Circulation System and Major Planning Areas. The completion of the Highway 65 Bypass in 1987 accelerated growth in the South Placer area. No transportation system in the Sacramento region in recent years has had or likely will have more of an impact on growth than this highway. The bypass provides direct access from Interstate 80 to the thousands of acres of development land to the north and northwest. The areas served by the bypass include, among others, the following major development tracts:

- The North Roseville and Sunset Industrial areas -- 6,000 acres;
- The Northwest Plan area of Roseville -- 2,648 acres;
- The North Central Plan area of Roseville -- 2,331 acres;
- Stanford Ranch in Rocklin -- 3,500 acres;
- The Northwest Rocklin Plan area -- 2,800 acres;

- The Lincoln Airpark in Lincoln -- 900 acres; and
- Lincoln Sphere of Influence (Southeast and Southern) (Eastlake, Eastridge, Lincoln Crossing, and Eastpark) -- 2,214 acres.

Highland Reserve North Development Agreement. Concurrent with the approval of the Highland Reserve North Specific Plan, the City of Roseville adopted the Development Agreement by And Between The City of Roseville And Highland Reserve North L.P. Relative To The Development Known As Highland Reserve North (the "Highland Reserve North Development Agreement"). Subject to the provisions and conditions of the Agreement, the City granted a fully vested entitlement and right to develop the property within the District in accordance with the terms and conditions of this Agreement and the other Entitlements, including the Highland Reserve North Specific Plan. The vested entitlements include the following land uses for the property: 165.36 acres of Community Commercial use, 36.55 acres of Public/Quasi-public use, 32.15 acres of Park use, 10.00 acres of School use, 34.29 acres of Open Space use and 1,700 dwelling units for Residential use, all as set forth and defined in the Highland Reserve North Specific Plan and the Zoning Ordinance of the City of Roseville.

The Highway 65 Bypass is 3.7 miles long and runs along the southern border of the 615-acre Highland Reserve North Plan area of Roseville in a northwest/southeast direction. The Harding Boulevard/ Stanford Ranch Road freeway interchange was completed in 1989; and Harding Boulevard was extended from the south to connect with this interchange. As the previously mentioned areas are developed, three additional freeway interchanges will be required; they are listed as follows from southeast to northwest:

- Pleasant Grove Boulevard (scheduled to begin preliminary construction in October 1999);

- Blue Oaks Boulevard (functional, but additional construction in progress); and

- Placer/Sunset Boulevard (will be constructed when there is sufficient demand; currently slated for the year 2010).

The installation of these interchanges will positively impact development in the area. Below is a list the City of Roseville's Public Works Department roadway improvements expected to be completed by the year 2000.

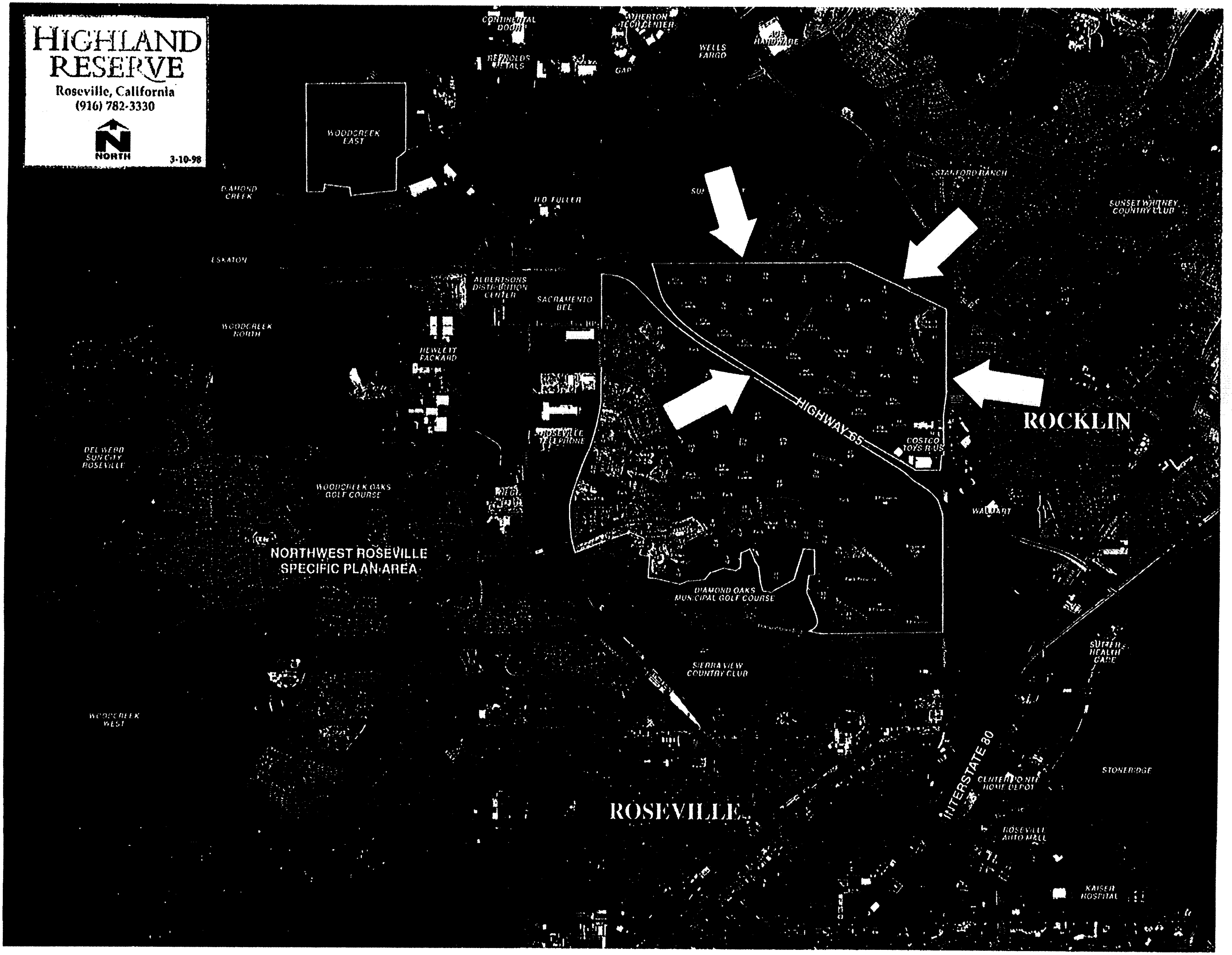
- Roseville Parkway/ I-80 Overcrossing
  East Roseville Parkway from Rocky Ridge to Sunrise

- Pleasant Grove/Highway 65 Interchange

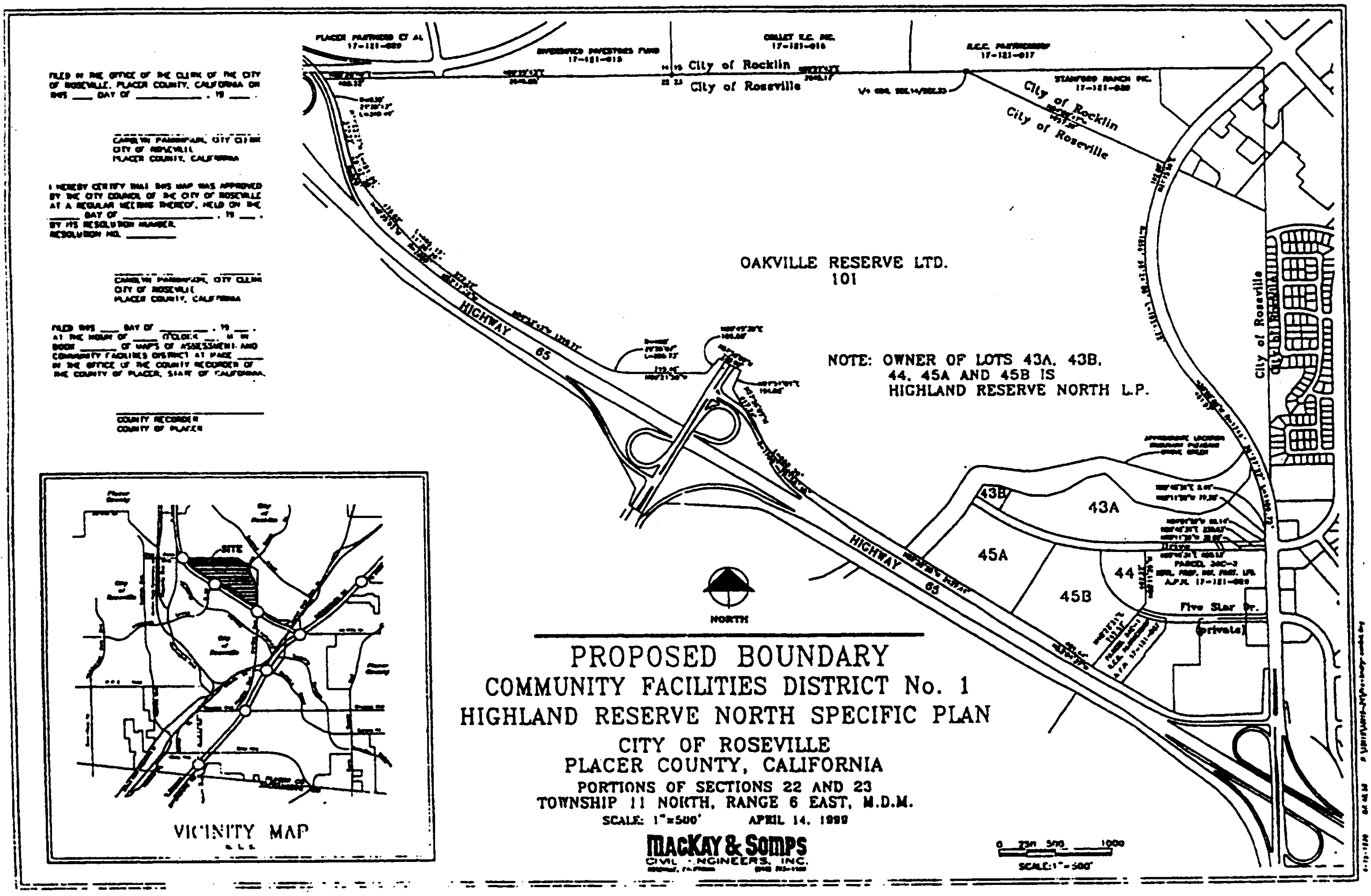
One of the primary reasons the Roseville/Rocklin/Lincoln area is at the forefront of growth in the Sacramento region is its favorable planned growth environment and the quality and thoroughness of its land planning process. The process in these three cities are guided by specific plans --

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 city. The plans specify designs, detail roadways and facilities, and provide for their funding and phasing.

Description of CFD. As shown by the maps on the next page, the general neighborhood, which includes the subject property, includes the Highland Reserve North Specific Plan area, and the North Central Roseville Specific Plan area. The subject property is in the Highland Reserve North Specific Plan area.


HIGHLAND RESERVE
Roseville, California
(916) 782-3330
NORTH
3-10-98
CONTINENTAL DOOR
ATHERTON TECH CENTER
WELLS FARGO
ACE HARDWARE
REYNOLDS METALS
GAP
WOODCREEK EAST
DIAMOND CREEK
H.B. FULLER
STANFORD RANCH
SUNSET WHITNEY COUNTRY CLUB
ESKATON
ALBERTSONS DISTRIBUTION CENTER
SACRAMENTO BEE
WOODCREEK NORTH
HEWLETT PACKARD
HIGHWAY 65
ROCKLIN
COSTCO
TOYS R US
ROSEVILLE TELEPHONE
DEL WEBB SUN CITY ROSEVILLE
WOODCREEK OAKS GOLF COURSE
WALMART
NORTHWEST ROSEVILLE SPECIFIC PLAN AREA
DIAMOND OAKS MUNICIPAL GOLF COURSE
SUTTER HEALTH CARE
SIERRA VIEW COUNTRY CLUB
WOODCREEK WEST
INTERSTATE 80
STONERIDGE
CENTERPOINTE HOME DEPOT
ROSEVILLE
ROSEVILLE AUTO MALL
KAISER HOSPITAL

PROPOSED BOUNDARY
Highland Reserve North CFD No. 1



The recently formed Highland Reserve North Specific Plan area was adopted in May of 1997. Of the total gross acreage, 304 acres are designated for residential development, 169 acres designated for commercial uses, and 142 acres designated for public and quasi-public uses. This area presently consists, for the most part, of undeveloped vacant land. It has excellent major freeway visibility and access, primarily from the Highway 65 bypass. Its proximity to the Galleria Regional Mall (being constructed in the North Central Roseville Specific Plan and immediately adjacent to the CFD), coupled with the existing retail development along the Stanford Ranch corridor, provide good access to retail services.

The CFD encompasses 574.4 acres of land (including 101.5 acres of school, park, watershed corridor and right of way land) located in the city of Roseville's Highland Reserve North Specific Plan area. The CFD is generally bound by the Blue Oaks Boulevard/Highway 65 interchange on the west, Stanford Ranch Road and the city limits on the east, the State Highway 65 bypass on the south and the city of Rocklin on the north. The district is located 3 miles north of downtown Roseville and is primarily accessed by Highway 65.

The City of Roseville uses a specific plan process in conjunction with development agreements for entitlements. For the developer, the majority of entitlement costs are incurred in the specific plan process, including any environmental studies, engineering and legal costs. After adoption of these document by council, the developer applies for a design review permit prior to submitting for building permits. The costs associates with the design review are nominal as long as the development complies with the vested entitlements. The subject has vested entitlements as a result of the approved specific plan and development agreement.

Concurrent with the approval of the Highland Reserve North Specific Plan, the City of Roseville adopted the Development Agreement By And Between The City of Roseville And Highland Reserve North L.P. Relative To The Development Known As Highland Reserve North (the "Highland Reserve North Development Agreement"). Subject to the provisions and conditions of the agreement, the City granted a full vested entitlement and rights to develop the property within the district in accordance with the terms and conditions of these documents.

The Highland Reserve North Specific Plan area is generally situated on the northeast side of Highway 65, between the Blue Oaks Boulevard/Highway 65 interchange and Stanford Ranch Road. Major interstate freeway system access is provided by Highway 65. The projected population within the plan at total build out is 4,496. The plan area (of which the subject CFD's a part) encompasses 615 acres and contains a significant residential component (304 acres) and a commercial component (169 acres). The proposed bond district includes all the lands within the HRNSP except for a 40 acre church development located on the east side of Stanford Road.

The table on the following page outlines the specific plan uses within the Highland Reserve North Specific Plan area.

Land Use Category	Acres Gross	% of Total Gross Acres
Open Space/Watershed Corridors	35.21	5.7%
Park and Recreation	32.15	5.2%
Residential	304.26	49.5%
Commercial	168.67	27.4%
Public Elementary School	10.00	1.6%
Public/Quasi Public (Church/Private School)	36.55	6.0%
Right of Way	28.20	4.6%
Total	**615.04**	**100.0%**

Land Use. The prominent land uses within the CFD include single family detached residential, multifamily attached residential, commercial, parks and school uses. Land use in the Specific Plan area is organized around five key concepts or themes establishing the placement and general character of specific land uses. The residential densities reflect the specific plan area and are presented on page 32 These concepts/ themes are:

1. The Village Square. There are approximately 44.67 acres located centrally in the district, and this acreage is intended to have a pedestrian oriented community center theme. Three general uses are split among 3 adjacent parcels: Parcel 40, a 14.17 acre parcel designated as a neighborhood commercial center, Parcel 52, a 20.5 acre parcel designated as a large community park, and Parcel 60, a 10 acre parcel designated as an elementary school.

2. Traditional neighborhoods organized around neighborhood parks. The residential parcels are organized in three distinct neighborhoods, each oriented around small interior neighborhood parks intended as a place for residents and children to meet, socialize and play.

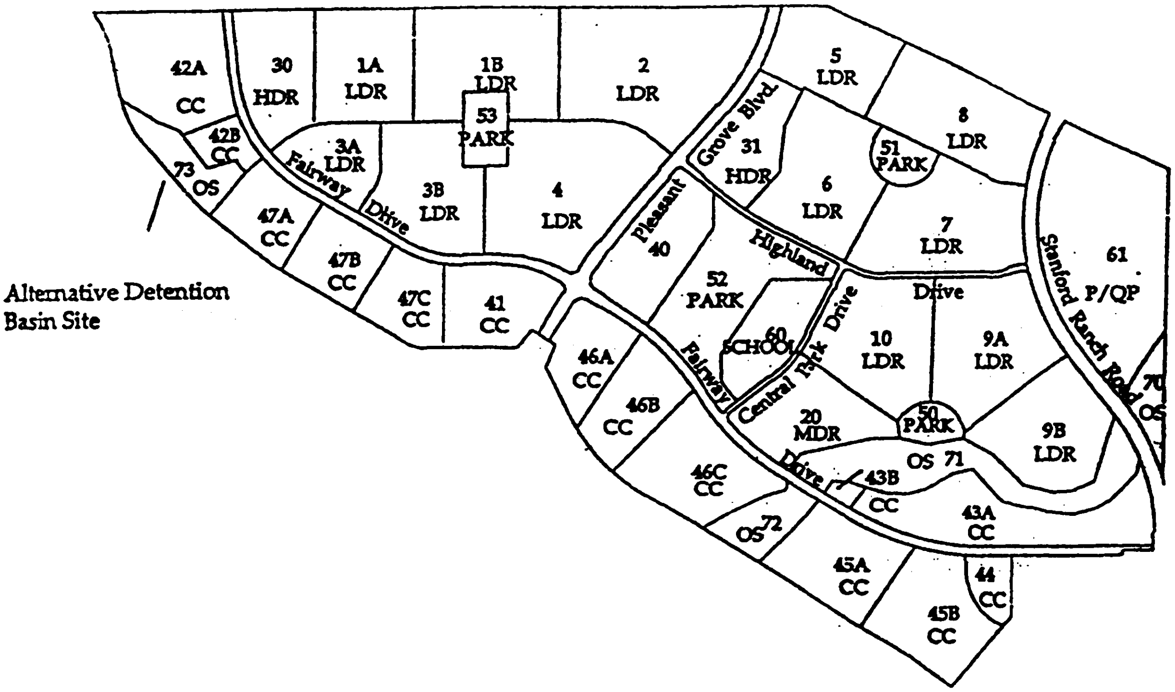
3. Pedestrian pathway system. A walkway system is intended to link the residential neighborhoods and neighborhood parks with the Village Square. The walkway is expected to extend to a pedestrian loop that will connect to the City-wide biking system.

4. Highway oriented commercial buffer. A regional commercial band adjacent to Highway 65 will make use of the freeway access and visibility, and it will serve as a transitional buffer for the neighborhoods to the north of the freeway.

5. Preservation and utilization of open space. Approximately 67.36 acres of the total land area within the plan is designated for open space uses, including the neighborhood parks, the central park, and the watershed corridors. (No value has been assigned to the parks or watershed corridors).

The North Central Roseville Specific Plan (NCRSP) was adopted July 5, 1990 covering a 2,514 acre area traversed by Highway 65. The Highland Reserve North acreage was designated as "Urban Reserve" in the North Central Roseville Specific Plan (NCRSP) as originally approved. The Highland Reserve North Specific Plan (HRNSP) was adopted May 28, 1997 as an amendment to the North Central Roseville Specific Plan (NCRSP). The Highland Reserve North Specific Plan (HRNSP) extends the basic concepts of community form and design from the North Central Roseville Specific Plan (NCRSP) to the Highland Reserve North area. The following is a description of the land uses within the CFD as designated by the Highland Reserve North Specific Plan, adopted by the City of Roseville's Council on May 28, 1997.

HIGHLAND RESERVE NORTH
Land Use and Zoning



HIGHLAND RESERVE NORTH

Parcel	Land Use	Acres	Units
1A	LDR	16.70	79
1B	LDR	22.75	108
2	LDR	31.77	151
3A	LDR	9.41	44
3B	LDR	18.90	89
4	LDR	28.54	135
5	LDR	14.64	65
6	LDR	20.05	83
7	LDR	22.27	96
8	LDR	20.65	94
9A	LDR	21.5	104
9B	LDR	17.38	50
10	LDR	19.4	85
20	MDR	14.63	117
30	HDR	13.90	250
31	HDR	11.77	220
40	CC	14.17	
41	CC	12.39	
42A	CC	18.26	
42B	CC	3.75	
43A	CC	20.60	
43B	CC	1.00	
44	CC	3.96	
45A	CC	14.01	
45B	CC	15.43	
46A	CC	9.57	
46B	CC	10.78	
46C	CC	16.43	

HIGHLAND RESERVE NORTH

Parcel	Land Use	Acres
47A	CC	9.44
47B	CC	9.50
47C	CC	9.38
50	PARK	3.14
51	PARK	3.78
52	PARK	20.50
53	PARK	4.73
60	SCHOOL	10.00
71	OS	18.54
72	OS	6.20
73	OS	6.42

Note: Parcels 61 and 71 are not within the CFD boundaries. Parcel numbers 70 and 71 have been transposed on the above map.

Source: The map presented above is from the Highland Reserve Specific Plan. The land use and corresponding acreages is from a later Specific Plan map created by Richland Properties

Residential Land Uses. The 1,770 Highland Reserve North residential units include 1,300 single family detached units spread over 14 large lot parcels and 470 multi-family apartment units divided between two parcels. Under the Highland Reserve North Specific Plan and Development Agreement, each residentially zoned parcel is allocated a specific number of units and a density based on the number of allocated units per net acre (excluding non-intract public streets). In order to accommodate changes in market demand and subdivision design considerations, the Specific Plan and Development Agreement allow the transfer of units allocated to any low or medium density residential parcel to another Highland Reserve North low or medium density residential parcel or parcels, provided the number of units allocated to a particular parcel cannot change by more than 20% and there are no new environmental impacts. The single family residential parcels range in density from 2.9 units per acre to 8.0 units per acre, with the great majority of the units falling in the 4.2 to 4.85 units per acre range. Multi-family residential densities range from 18.0 to 18.7 units per acre.

The residential portions of the District are organized in three distinct neighborhoods surrounding the Village Square on three sides. Each neighborhood is oriented around an interior neighborhood park and is buffered from the Highway 65 traffic and noise by a band of non-residential parcels situated along the Highway 65 frontage.

Different specific zones and lots sizes are introduced below:

Low Density Residential (LDR). The General Plan land use designation for this use is Low Density Residential, and the zoning district is RS/DS (Small Lot Residential -- Development Standard Overlay). This designation is intended for attached or detached single family units, or similar or related compatible uses, with a density level ranging from 1.0 to 6.9 density units per acre. The LDR uses account for a total 1,183 units within the district. Of these LDR units, 577 are included within Phase I, and 606 units in Phase II. The types of lots anticipated in this density range include small lots and clustered lots as well as conventional lots. It is anticipated that one or more of the LDR large lot parcels may be developed as an MDR small lot subdivision (described in more detail below).

There are six densities categories extracted from the allowable units and the acreages allowed in the specific plan. The list below translates the densities into the most typical lot size used in the valuation.

Parcels 1A, 1B, 2, 3A, 3B, 4	Anticipated lot sizes averaging 6,000 SF or 4.68 to 4.75 Dwelling Units/Acre (DU/Ac)
Parcel 9A	Anticipated lot size averaging 6,500 SF or 4.85 DU/Ac
Parcels 5, 8	Anticipated lot size averaging 6,800 SF or 4.5 to 4.6 DU/Ac
Parcel 6	Anticipated lot size averaging 6,900 SF or 4.2 DU/Ac
Parcels 7, 10	Anticipated lot sizes averaging 7,200 SF or 4.4 DU/Ac
Parcels 9B	Anticipated lot size averaging 10,000 SF or 2.9 DU/Ac

Medium Density Residential (MDR). The General Plan land use designation for this use is Medium Density Residential, and the zoning district is RS (Small Lot Residential). This designation is intended for a wide variety of unit types with density levels ranging from 7.0 to 12.9 density units per acre. The purpose of the Medium Density Residential designation anticipates small lots, or, more typically, attached dwelling units, at an average density of approximately 8.0 dwelling units per acre, accounting for a total of 117 units in the Highland Reserve North Specific Plan area. The present MDR component is located in Phase I on Parcel 20, which is an approximate 14.63 acre parcel in close proximity to the Village Square parcels ("Nos. 40, 52 & 60"). As previously mentioned, it is anticipated within the Specific Plan that one or more of the LDR large lot parcels may be developed as an MDR small lot subdivision.

High Density Residential (HDR). The General Plan land use designation for this use is High Density Residential, and the zoning district is R3 (Attached Housing). The R3 district is intended for multiple-family housing. The types of land uses intended for the R3 zoning district include apartments, condominiums, townhomes, and similar and related compatible uses. The Specific Plan provides for two multi-family residential sites, one located in Phase I and the other in Phase II. The two sites will account for a total of approximately 470 dwelling units in this HDR category, and they reflect an average density of 18 to 19 dwelling units per acre.

Commercial Land Uses. Commercial development under the Specific Plan is intended to provide a mix of shops and services for plan area residents as well as serving as destination shopping for other nearby communities. Regional access will be from Highway 65 via the planned Pleasant Grove Boulevard interchange and the existing Stanford Ranch Road interchange. The commercial sites are intended to be pedestrian oriented, as well as auto oriented. The two primary proposed land uses in the Highland Reserve North Specific Plan area consist of Village Square Commercial and Community Commercial. (Highway Commercial and Business-Professional Commercial uses are also anticipated within the two primary categories.)

Village Square Commercial. The General Plan land use designation for this use is Community Commercial, and the zoning district is CC/SA (Community Commercial -- Special Area Overlay). The Village Square Commercial site, "Parcel 40", is intended to have a neighborhood focus and serve as a primary focal and activity center for the community's residents. It may include such uses as retail shops, services and restaurants to meet the convenience shopping needs of the residents and employees in the Specific Plan area. It may also be utilized for office uses. A special overlay district has been applied, modifying the uses otherwise permitted by the Community Commercial zone district, and prohibiting uses that may conflict with adjacent uses or that may be considered inconsistent with the Village Square character. (Extensive design guidelines pertaining to the Village Square have been included in the Specific Plan.)

Community Commercial. The General Plan land use designation for this use is Community Commercial, and the zoning district is CC/SA (Community Commercial -- Special Overlay). The Community Commercial land use sites are intended to serve the principal retail shopping needs of the entire community by providing areas for shopping centers, and other retail and service uses. The sites are also intended to serve as destination shopping for other nearby communities. The commercial uses are considered an extension of the approved commercial uses on the adjacent North Central Roseville Specific Plan power center site, and are expected to complement the regional mall and associated commercial uses south of Highway 65. It is anticipated that the Highway 65 freeway frontage will be well suited to a mix of commercial and office park environments, as well as business professional uses.

The table on the next page presents the uses within the Specific Plan, noting the anticipated single family lot sizes, public lands as well as commercial lots used as a basis for the valuation presented later in the report.

Subd. Map Lot #	Zoning / Spec. Plan Land Use Design.	Property Type	Acreage	Units
9B	LDR	Res. 10,000 SF Lots	17.38	50
6	LDR	Res. 6,900 SF Lots	20.05	83
7	LDR	Res. 7,200 SF Lots	22.27	96
10	LDR	Res. 7,200 SF Lots	19.4	85
5	LDR	Res. 6,800 SF Lots	14.64	65
8	LDR	Res. 6,800 SF Lots	20.65	94
1A	LDR	Res. 6,000 SF Lots	16.7	79
1B	LDR	Res. 6,000 SF Lots	22.75	108
2	LDR	Res. 6,000 SF Lots	31.77	151
3A	LDR	Res. 6,000 SF Lots	9.41	44
3B	LDR	Res. 6,000 SF Lots	18.9	89
4	LDR	Res. 6,000 SF Lots	28.54	135
9A	LDR	Res. 6,500 SF Lots	21.5	104
20	MDR	Res. - MD Lots	14.63	117
30	HDR	Res. - Multi-Fam.	13.9	250
31	HDR	Res. - Multi-Fam.	11.77	220
SUBTOTAL - Residential:			**304.26**	**1,770**
40	Vil. Square	Commercial	14.17	N/A
43A	CC	Commercial	20.6	N/A
43B	CC	Commercial	1	N/A
44	CC	Commercial	3.96	N/A
45A	CC	Commercial	14.01	N/A
45B	CC	Commercial	15.43	N/A
46A	CC	Commercial	9.57	N/A
46B	CC	Commercial	10.78	N/A
46C	CC	Commercial	16.43	N/A
41	CC	Commercial	12.39	N/A
42A	CC	Commercial	18.26	N/A
42B	CC	Commercial	3.75	N/A
47A	CC	Commercial	9.44	N/A
47B	CC	Commercial	9.5	N/A
47C	CC	Commercial	9.38	N/A
SUBTOTAL - Commercial:			**168.67**	**N/A**
School/Parks/Right of Way/Watershed Corridors:			**101.51**	**N/A**
GRAND TOTAL:			**574.44**	**1,770**

Source: Highland Reserve North Land Use and Zoning

With the announcement of the regional mall, market interest in commercial projects, residential development, and in other types of development has been strengthened. The following table summarizes construction activity for residential and non-residential land uses in this specific plan area through March 31, 1999, the most recent statistics available.

Residential Land Uses - Through March 31, 1999

			Stage 2		Vacant Lots	Stage 3	Stage 4	
Land Use	Total Units	Total Acres	Total Units	Total Acres		Under Construction Units	Developed Units	Acres
Low Density	1,183	263.96	0	0.00				
Medium Density	1,307	14.63	0	0.00				
High Density	470	25.67	0	0.00				
Total	1,770	304.26	0	0.00	0	0	0	0.00

Non-Residential Land Use - Through March 31, 1999

	Total Acres	Stage 2		Stage 3		Stage 4	
		Square Feet	Acres	Square Feet	Acres	Square Feet	Acres
Commercial	165.36	0	0	0	0	0	0.00
Church/Private School	28.10	146,200	40.60	30,200	5.60	0	0.00
Total	193.46	146,200	40.60	30,200	5.60	0	0.00

Source: City of Roseville Planning Department, Quarterly Development Activity Report, First Quarter of 1999
Non-residential projects are listed by activity stages. Stage 1 means a project application is being processed; Stage 2 means it has been approved but is not yet under construction and Stage 3 means it is under construction (building permit has been issued) or in the case of residential, a subdivision has been approved for Final Map. The acreages above vary slightly from the acreages reported within the Specific Plan.

Since the specific plan's adoption in May of 1997, no residential or commercial units have been developed. The announcement of the regional mall has stimulated significant commercial activity in the vicinity of the subject CFD and is expected to have a substantial impact on the subject's development activity as well. The paragraphs below describe the proposed regional mall, as well as two additional commercial projects currently under construction. These developments are within the subject's immediate neighborhood and plan area, but are not within the subject CFD. These projects emphasize the existing demand for properties in this general area as a result of the regional mall.

Galleria at Roseville - This 94.18 acre site (referred to as Parcel 35 in the North Central Roseville Specific Plan) is currently being developed by Urban Retail Roseville LLC and is under construction. Adjacent to the proposed CFD, this is the first regional mall development in the last 15 years in the Sacramento area. It is located at the northwest corner of Harding Boulevard and Roseville Parkway (in close proximity to the Creekside Center below). The two level mall will have four major anchors, a cinema, an outdoor plaza, and a total gross leaseable area of 1,120,000 square feet. Anchors include Macy's, Nordstrom, Penney's and Sears. Plans have been approved and grading on the project began in August 1998 with completion slated for September 2000. Underground utilities have been completed and construction is underway.

Creekside Center-This 112 acre site has been approved for the 1.4 million-square-foot Creekside Center project. Evergreen Creekside LLC purchased the property in February of 1998 from Alleghany Properties, Inc. for an undisclosed price estimated at $18,000,000 to $19,000,000 (about $3.27 - $3.90 per square foot, inclusive of bonds). Plans have been submitted for a mixed use project including 435,000 square feet of office space and 694,100 square feet of retail. The builders also requested approval for 279 hotel rooms. Donahue Schriber, a Newport Beach shopping center developer, is focusing on the retail aspect of the development first. Located in the adjacent NCRSP, construction has commenced on this project.

A 40 acre portion of this property is currently under contract at twice the original purchase price. Although the broker would not disclose the details, the buyer anticipates developing a shopping center.

The Fountains– Inter Cal Development (Peter and Paul Bollinger) are developing a 304,000 square foot retail building at the southeast corner of Harding Boulevard and Roseville Parkway. The first phase of the proposal has 86,000 square feet of retail space and 22,000 square feet of restaurant space. The application for entitlements is approved.

Other Related Development:

The Preserve at Creekside– This is a 336 unit apartment community with 1, 2 & 3 bedroom units. The complex opened February 8, 1999 and has currently rented 94 apartments. A total of 560 units will be located along Antelope Creek in the North Central Roseville Specific Plan. The 336 already completed units comprise the first Phase. The second phase will include 224 units, for a total of 560 units. These 560 units represent just 25% of the multi-family projects either in process, approved, or under construction in the area. This project is in the adjacent NCRSP, adjacent to the subject CFD.

Sunset Christian Center– This is a new 60,000 square foot facility which includes a church, daycare facilities, and meeting rooms. It is located in Rocklin, adjacent to the subject CFD.

Comfort Suites– The City of Rocklin approved and developers are now constructing a Comfort Suites Inn adjacent to Sunset Christian Center as well as the retail development along Stanford Ranch Road. The projected opening of the hotel is fall 1999.

Stanford Crossings Center/Home Depot Power Center Site– Active development has been steadily proceeding in proximity to the intersection of Stanford Ranch Road and Five Star Boulevard. The Stanford Crossings Center now includes a Costco, Toys-R-Us, Ross, Sports Authority, Cost Plus and a number of restaurants. An application for a second Home Depot for the north Roseville area has been submitted for development at the adjacent site. (This is referred to as Highland Reserve North Parcels 44, 45A & 45B).

Blue Oaks Town Center– This shopping center complex, fronting Blue Oaks Boulevard and Lonetree Boulevard, is planned for 772,800 square feet of space, including retail, garden center, restaurants, theater, office space, and a hotel. This complex is situated approximately one mile northwest of the subject CFD.

Advent Christian Church & School– This 36 acre site is located on the east side of Stanford Ranch Road within the Highland Reserve North Specific Plan area but not in the CFD. The Adventure Christian Church recently opened their meeting facility, and their school is expected to soon be hosting students. The remaining phases of development have been approved but not constructed.

General Highland Reserve North Specific Plan Area Characteristics

Utilities. The concluded land values are predicated on the assumption that all utilities necessary for development will be available in time to support construction. These include water, electricity, gas, sewer, telephone and storm drainage. Public utilities available to serve the District are as follows:

Electricity:	City of Roseville Electrical Utility Department
Natural Gas:	Pacific Gas & Electric Company
Telephone Service:	Roseville Telephone Company
Water:	Placer County Water Agency/City of Roseville
Wastewater:	City of Roseville

Seismic Conditions. According to the State of California Seismic Safety Commission, Sacramento County is located in Zone 3. Zone 3 is a medium risk area common to the Sacramento area. The State of California falls into zones 3 and 4. Zone 4 is a high risk area which is located along the western edge of the state and includes the San Francisco Bay Area.

There are no Alquist-Priolo Special Studies Zones in the Sacramento area, as defined in Special Publication 42 issued by the California Department of Conservation, Division of Mines and Geology. No active faults are located under or near the property; however, strong earthquakes generated along any of the active California faults may affect the sites, depending on the magnitude of the quake and the location of the epicenter. In general, the effects are confined to shaking and/or acceleration (shock waves), and can be minimized by adequate design and construction procedures.

Toxic Hazards Information. There are no known or suspected toxic or environmental hazards or nuisances affecting the subject properties. Please refer to Item 16 of the Assumptions and Limiting Conditions.

Flood Zone Designation. The Federal Emergency Management Agency (FEMA) has a flood zone designation of "X" (unshaded) defined as areas determined to be outside a 500-year flood plain. (Community Panel No. 06061C-0476F and 0477F, Map Revised June 8, 1998.

Property Tax Data and Projected Taxes. The property tax system in California was amended in 1978 by adding Article XIII to the state constitution, commonly referred to as Proposition 13. Under Proposition 13, real property assessment values were returned to March 1, 1975 levels, and properties are now appraised (i.e., reassessed) only when:

- A change in ownership occurs; or
- New construction is completed; or
- New construction is unfinished on March 1st (lien date).

Except for these three instances, property assessments cannot be increased by more than 2% annually. Also under Proposition 13, the property tax rate is stipulated to be 1% of a property's assessed value, plus any bonds or fees approved by the voters.

The subject properties fall into the tax code area and corresponding tax rate indicated on the following table.

TAX CODE AREA	RATE (%)
05-001	1.044287

A tax rate of 1.1% is used in the subsequent appraisal analysis, plus the anticipated annual charges for all bond and assessment districts. The table below lists the assessor parcel number (APN), changes in APNs, the assessed values and the existing taxes.

New APN	017-121-036*	017-121-037	017-121-038	017-121-039	017-121-040	017-121-041
Old APN	017-121-030	017-121-030, 033	017-121-030	017-121-030	017-121-030	017-121-030
Old Parcel Size (Acres)	572					
New Parcel Size (Acres)	513.2	20.6	1.0	4.0	14.0	15.4
Assessed Land Value	$7,840,000	$420,240	$20,400	$81,600	$285,600	$314,160
Taxes and Levies						
County General Tax (1.0%)	$78,400	$4,202	$204	$816	$2,856	$3,142
Roseville City Elem. (0.022327%)	$1,750	$94	$5	$18	$64	$70
Roseville High School (0.021960%)	$1,722	$92	$4	$18	$63	$69
Estimated 1998/1999 Taxes and Direct Levies	$81,872	$4,389	$213	$852	$2,982	$3,281

*The values assigned to parcels 037, 038, 039, 040, and 041 are Placer County Assessor's estimated values. These parcels are not currently on the 1999/2000 tax roll, and may vary slightly from the above information.

Public Improvement Bonds/Assessments. After the enactment of Proposition 13, cities and counties began to utilize, to a greater extent, methods in addition to the ad-valorem property tax to fund public facilities in developing areas. These methods included direct developer exactions, school impact fees, special assessments, and Mello-Roos Community Facilities Districts bond issues. At least two of these methods, special assessments and bonds, feature ongoing charges to the real property concerned, rather than one-time fees assessed at the time of development.

Mello-Roos Bonds. The Mello-Roos Community Facilities Act of 1982 allows local government to establish a community facilities district that encompasses an area to be served by proposed facilities or services. A community facilities district has bonding and taxing authority so that it can issue bonds to finance public facilities or services that confer a *general benefit*, and then repay the bonds with revenues from a special tax levied by the district. An individual property owner often cannot prepay his property's portion of the bonds, and the annual obligation to pay the tax must run with the land.

Special Assessments. Special assessments are charges imposed on property to pay for a public improvement of direct benefit to that property. Special assessments differ from taxes, in that taxes do not have to be tied to a *specific benefit* received by the taxpayer. And, unlike taxes, special assessments cannot exceed the cost of providing the facility or service.

In addition to the subject CFD, there are two existing school districts which have issued general obligation bonds (Code numbers 357, 364) within the CFD boundaries. Brief summaries of each follow.

City of Roseville Elementary Bond Code 357. This school bond commenced in the 1992/1993 tax year and extends through August of the year 2017. It is applied on an ad valorem basis at a rate of 0.022327%.

Roseville High School Bond Code 364. This general obligation bond has three series of debt being phased in through the year 2023. The tax rate is applied on an ad-valorem basis and the maximum rate for all three series is 0.02196%. The duration of each series is outlined below.

Series	Start	Termination
Series A	1992/1993	August 1, 2017
Series B	1995/1996	June 1, 2020
Series C	1998/1999	August 1, 2023

Proposed Services District.

A Mello-Roos Community Facilities Services District is proposed to be formed within the Highland Reserve North boundaries to collect special taxes to pay for annual maintenance costs of such items as public right-of-way, landscaping, entrance monuments, wetlands monitoring and district administration.

The estimated annual Special Tax amounts for the CFD land uses are as follows:

Single-Family Units	$201 per Single-Family Unit
Multi-Family Units	$52 per Multi-Family Unit
Non-Residential Acres	$367 per acre

These Maximum Special Taxes will be escalated in accordance with the Annual Tax Escalator, or in a different manner, if necessary to meet its financial obligation.

Highland Reserve North CFD No. 1 Proposed Improvements.

The purpose of the Highland Reserve North Community Facilities District No. 1 Special Tax Bonds Series is to fund infrastructure facilities necessary for development. These include:

- Transportation Improvements:

  Stanford Ranch Road widening;
  Fairway Drive construction;
  Central Park Drive construction;
  Highland Drive construction;
  Pleasant Grove Boulevard construction;
  Pleasant Grove Interchange contribution;
  Other public roadway improvements required to meet the needs of the project.

- Wastewater System Improvements

  Sewer transmission lines and related wastewater system improvements.

- Water System Improvements

  Water distribution facilities including fire hydrants, and related water system improvements; pressure reducing stations, and flow meters.

- Drainage System Improvements

  Includes drainage and storm sewer improvements including pipelines, temporary drainage facilities, detention basins and drainage pretreatment facilities

- School Site Purchase

  Includes the purchase of the elementary school site within the Highland Reserve North Specific Plan.

- Park Improvements

  Includes park facilities, design and construction.

- Other

  In addition to the above infrastructure facilities, other incidental expenses including the cost of planning and designing the facilities; construction staking; utility relocation and demolition, cost associated with the creation of the Mello-Roos CFD, issuance of bonds, determination of the amount of taxes, collection of taxes and payment of taxes; and incidental expenses related to the construction, completion and inspection of the facilities.

  The maximum annual tax for single-family and multi-family residential properties ranges from $504 to $1,308 per unit. Commercial properties have an annual tax of $6,600 per acre ($0.15 per square foot), with Parcel 45A (the Home Depot site) having a significantly lower special tax. The bond district's duration is until the year 2034/2035 with the anticipation of a 25 year bond term. Bond payments will commence eighteen months after funding/issuance, and the capitalized interest account shall be used to satisfy the debt service obligations of the community facilities district during the eighteen month period.

Summary/Conclusion. The South Placer County area, including the Roseville area, continues to be one of the most rapidly developing Sacramento suburban communities. It is strategically located along the State Highway 65 corridor, and is one of the most dominant residential, commercial, and industrial growth areas in the region. The Roseville/South Placer County area has been the most active area for major new industrial and manufacturing companies in the entire Sacramento region.

Massive community plan areas have been approved and are under construction or poised for near-term development in Roseville, Rocklin, and Lincoln, resulting in major developer and user activity. These communities offer the largest concentration of quality planned developments in the Sacramento region and can accommodate extensive residential, commercial, and industrial growth. The area's growth dramatically accelerated in 1987 upon completion of the Highway 65 Bypass, which now links Interstate 80 to thousands of acres of community plan land and industrial tracts to the north.

Overall, the immediate neighborhood is well located in relation to the freeway, major services, and residential development. The regional mall development and other commercial development will continue to benefit from Roseville's overall growth and development. The economic future for Roseville and the surrounding South Placer communities should continue to be positive.

IV. HIGHLAND RESERVE NORTH CFD NO. 1 ABSORPTION STUDY

In the Regional Data Study contained in the Addenda we reviewed the socio-economic conditions and potential for Sacramento and the region including South Placer County and Roseville. Generally, there appear to be ample reasons to expect the metropolitan area to continue to add population and increase its employment base, consistent with the expectations for California and the rest of the western United States.

General, or "Macro" Factors Affecting Absorption in the Roseville Area

Gross Metro Product (GMP). The GMP is similar to the gross domestic product, but measured on a metropolitan basis; it is an excellent gauge of regional health. The GMP measures spending in four categories: total consumption, gross private (or fixed) investment, government purchases, and net exports. A large government sector makes the Sacramento MSA (Sacramento, Placer and El Dorado Counties) a more stable economy than both Northern California and the United States. From 1994 to 1997 the Sacramento MSA experienced an average growth of 2.85%, slightly below the United States (average growth of 3.28%) and significantly below Northern California (average growth of 3.95%). According to Regional Financial Associates, real GMP growth in the Sacramento MSA grew by 6.05% in 1998. Forecasts indicate that the region will experience an average growth rate of approximately 2.5% over the next four years. Overall, the strong projected Sacramento MSA GMP growth (stronger than that of both the United States and Northern California in 1999) is expected to contribute to favorable economic conditions for the development of all Roseville projects.

Interest Rates. In spite of the latest "up-tick" in rates, the country is still experiencing the lowest mortgage rates in over 20 years. Low mortgage rates increase the loan size for which a borrower can qualify, and lead to more aggressive home-buying activity.

Population Growth. SACOG has projected future population growth for the region. Their projections appear to be reasonable, based on both historical data and future regional economic expectations. According to SACOG, total population is expected to grow from 1,607,000 (1995) to 2,463,000 (2020), an increase of 53 percent over the 25 year period. Almost 60 percent of this total population growth will occur in Sacramento County. The next largest population growth area is projected to be Placer County, with 23.4 percent of the total.

Sacramento County's projected large population growth notwithstanding, relative population densities will shift over the 25-year period, and the locus of population density will move north and east, towards Roseville. The following chart shows the percent of total population each respective area is expected to contain in the year 2020, relative to the year 1995. South Placer County cities such as Roseville will absorb most of the population increase that accounts for this shift.

Projected Regional Population Shift
(% of Total Regional Population)

County:	1995	2020
Sacramento	69.4%	65.8%
Placer	12.4%	16.3%
Yolo	9.3%	9.6%
El Dorado	8.9%	8.3%

Roseville historic population data, and SACOG's projections, can be considered as presented below. Clearly, the city is experiencing a strong trend of population increase which will continue for the next six years, or so, until all available housing land has been developed within the city limits.

ROSEVILLE POPULATION
GROWTH AND PROJECTION

Year	Population	5 Year Growth Rate
1990	43,900	
1995	56,500	29.7%
2000	79,100	80.2%
2005	100,000	26.4%
2010	106,600	6.6%
2015	106,900	0.2%
2020	106,800	-0.9%

Employment. Employment Growth continues to be robust in the Roseville area, as the chart below shows.

ROSEVILLE WORK FORCE
GROWTH AND UNEMPLOYMENT

Year	Work Force Size	Growth in Work Force (%) (2)	Unemployment Rate
1999 (1)	30,760	2.9%	3.8%
1998	29,890	2.2%	4.3%
1997	29,240	4.5%	4.8%
1996	27,990	3.3%	5.6%
1995	27,090	3.1%	6.5%
1994	26,280	–	6.9%

(1) Through June

(2) Year over year. Total Growth, 1994 to mid-1999 has been 17%.

The city has an impressive list of major employers, as shown in the following chart. Hewlett-Packard owns 1.5 million square feet of buildings, and leases 3 million more to house its Roseville operations. Union Pacific Railroad has just finished making a $142 million investment in its Roseville railyard, making it their largest facility in the western United States.

LARGEST EMPLOYERS IN ROSEVILLE

(Ranked by number of employees)

	Company or Agency	No. of employees in Placer County (in full-time equivalents)	Annual payroll (including benefits)	Type of business or service
1	Hewlett-Packard Co.	5,400	$245.5 million	Design, manufacture, market recycle and support computer-related products
2	PRIDE Industries	2,200	$35 million	Mail services and fulfillment, facility support services, and light manufacturing
3	NEC Electronics Inc.	1,500	WND	Manufacture semiconductor devices
4	Sutter Health	1,322	$78.07 million	Healthcare
5	Union Pacific Railroad	1,200	$60 million	Freight railroad
6	Kaiser Permanente	1,070	WND	Healthcare
7	City of Roseville	884	$48.14 million	City government
8	Roseville Communications Co.	638	$31.8 million	Telecommunications
9	Pacific Gas and Electric Co.	454	$25.6 million	Gas and electric utility
10	Roseville City School District	439	$23.6 million	K-8 city school district
11	Roseville Joint Union High School District	421	$26.9 million	Public high school district
12	Dry Creek Joint Elementary	401	$15.12 million	K-8 public school district
Notes: Information for this list was provided by representatives of companies and by the Placer County Office of Economic Development.				NA – Not available WND – would not disclose
Business Journal, April 30, 1999				

The above chart lists only major Roseville employers. It is also worth noting that many smaller business formations are occurring in the fields of finance and high tech. The Douglas Boulevard area from Rocky Ridge Drive to Sierra College Boulevard is becoming a major financial center. Almost all established banks and securities brokerages are located here, as well as other financial service companies. Two newly formed banks are opening on Douglas Boulevard: Capital Valley Bank and Silverado Bank. Residents in the nearby communities of Granite Bay, Los Lagos and Shelbourne, as well as portions of Roseville like Sun City, possess significant wealth, and the financial infrastructure is emerging to serve them, creating good local jobs in the process.

Absorption Competition. Residential development in the Roseville area will be competing with likely development in many other areas within the region over the next 20 years. Therefore, absorption of residential-designated land constitutes one of the major variables when projecting absorption of entitled land. The term "absorbed", for purposes of this assignment, refers to the concept of land being taken out of a long term holding inventory. Generally, this would be the point at which building permits could be pulled, construction should be imminent, and home sales would be anticipated within nine to twelve months.

Residential competition will emanate from many areas in the region. We consider Folsom and western El Dorado County to be the major competing areas because of their similar home pricing emphasis and locational attributes, but other areas will also provide competition. The estimated minimum remaining absorption capacities of some competing residential areas are shown in the following table. We have suggested their degree of competitiveness with the Roseville area, based on type of community, access, nearby amenities, proximity, etc.

ESTIMATED REMAINING HOLDING CAPACITIES (DUs) OF COMPETING RESIDENTIAL AREAS	
Roseville/Rocklin	31,600
Highly Competitive Areas:	
Folsom	13,100
Landpark/Pocket/Meadowview	5,700
Western El Dorado County	49,000
Total	67,800
Moderately Competitive Areas:	
North Natomas CFD area:	33,500
Elk Grove	14,400
Lincoln	9,500
Auburn	7,500
Total	96,500
Marginally Competitive Areas:	
South Natomas	9,800
Antelope	6,700
Vineyard	19,300
Franklin/Laguna	33,900
Citrus Heights	7,000
Downtown	7,200
South Sacramento	12,500
West Sacramento	20,900
Woodland	11,700
Rancho Murieta	3,200
Total	132,200

The chart illustrates that the abundant land supply in the greater Sacramento area can accommodate housing demand for quite some time. However, the city of Roseville is approaching its total build-out capacity, and if even only a steady demand is maintained, the city will accomplish that total build-out in 5 to 6 years.

Roseville, along with Rocklin, continues to be in high demand and is experiencing growth rates above that for the area as a whole. Roseville remains a pro-growth city with a developing employment base. The city has annexed additional land for residential development over the last several years. The marketing experience at Sun City, Roseville, a 3,500-unit retirement community that planned for a 10-year absorption but accomplished total absorption in 5 years, demonstrates continuing demand for this market segment.

Specific, or "Micro" Factors Affecting Absorption in the Subject Property Area

The Absorption Study Area: Highland Reserve North. The Highland Reserve North study area is a mixed-use project that will contain 1,770 single- and multi-family residential units when fully built-out. Additionally, it will contain over 150 acres of retail commercial lands, an elementary school, three neighborhood parks, and a city park. All of the study area is held by a single owner, albeit under two ownership entities. A Mello-Roos Community Facilities District (CFD) is proposed to fund the basic infrastructure costs associated with the project.

CFD Boundaries and General Description. The proposed CFD will have boundaries that virtually congruent with those of the Highland Reserve North Area. Generally, this area lies north and east of Highway 65, west of Stanford Ranch Road, and south of the Rocklin city limits. Major freeway interchanges exist at Stanford Ranch Road / Highway 65 on the east and Blue Oaks Boulevard / Highway 65 on the west. Another, centrally located interchange, at Pleasant Grove Boulevard and Highway 65, is scheduled for completion in the summer of 2000.

The Sunset – Whitney area of Rocklin, east of the subject, is primarily residential and mostly built-out.

The North Central Area, south of the subject and south of Highway 65, is a multi-use area that is developing at this time. The area includes 606 acres of residentially zoned land that is about 1/3 built out. The area also includes about 338 acres of commercial land that can support about 3.3 million square feet of retail space. About 1.1 million square feet of this total is attributable to the Galleria Regional Mall, now in the early stages of construction. Major tenants there will include Macy's, Nordstrom and Sears, and this center and adjacent commercial development should foster rapid residential development in the surrounding areas. The area also includes 206 acres zoned for office use, and 84 acres zoned for industrial development.

The area west of Highland Reserve North and North Central is Roseville's North Industrial Area, and it is the site of numerous large floor plate industrial buildings.

The Rocklin areas north of the subject are known as Sunset West and Stanford Ranch. Development there includes the Atherton Industrial Park and several major industrial campuses, including those for Herman Miller Furniture and Oracle.

Factors Affecting Residential Absorption

Regional Land Supply (Other than Roseville). An overview of the residential land supply available throughout the region was provided earlier in this analysis. The closest competitive area to Roseville is the city of Rocklin, which currently has 2,500 acres of vacant, residentially zoned land that could accommodate up to 10,500 dwelling units. Other south Placer County communities are judged to have less influence on the Roseville residential absorption potential.

The Rocklin community located immediately north of Highland Reserve North is known as Sunset West. Like the subject area it is largely undeveloped, although some single-family projects appear to be breaking ground. As of late last year, 467.9 acres in this area carried residential entitlements for 2,919 dwelling units. None of these projects had construction applications pending. The Stanford Ranch area, located north Sunset West and north of Sunset Boulevard, is at least two-thirds built out.

About 845 new dwelling units were sold in the South Placer area during the first quarter of 1999. This is a 33% increase over the last quarter of 1998, and it represents a 33% market share of the entire greater Sacramento area market. The median base price in the South Placer market was $198,000, up 4%.[6] The inventory at the end of the first quarter was 472 units, or a 50-day supply based on first quarter sales.

Overall, we conclude that market dynamics are quite favorable in the South Placer area, and that competition from other nearby areas is modest and not likely to significantly impact Roseville market demand.

Roseville Land Supply. It is a consensus opinion that the remaining supply of residential land should be almost totally absorbed over the next six years or so. Studies commissioned by the city of Roseville (Hausrath, et al) suggest this. Also, the table below projects a total absorption within six to seven years, if the 1998 building permit pace is maintained. If some segregation of less desirable lots in the older subdivisions and in the infill area were made, the absorption of the remainder would obviously progress at an even faster rate. Also, some portion of the older existing housing stock could be demolished during that time period.

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[6] Some of the statistical information is from Meyers Group publications.

ROSEVILLE LOT INVENTORY

(As of 3/31/99)

Plan Area	Capacity Not Yet Approved	Vacant Lots	Sub-total	Lots Under Constr.	Total DU's Avail.
Old Roseville					
Infill Area	0	846	846	0	846
East of I-80:					
NERSP	144	6	150	41	191
SERSP	368	219	587	97	684
SRSP	2661	221	2882	0	2882
West of I-80:					
NCRSP	677	1882	2559	509	3068
HRNSP	1770	0	1770	0	1770
NWRSP	164	893	1057	432	1489
DWSP	0	367	367	217	584
NRSP-1	724	1750	2474	0	2474
NRSP-2	454	0	454	0	454
NRSP-2 +	1334	0	1334	0	1334
TOTALS	8296	6184	14480	1296	15776

Total Absorption Time at 1500 units/year:	10.5 years
Total Absorption Time at 2000 units/year:	7.9 years
Total Absorption Time at 2500 units/year:	6.3 years
Total Absorption Time at 3000 units/year:	5.3 years

(1998 total permits pulled: 2463)

Source: Quarterly Development Activity Report, First Quarter 1999, City of Roseville, and Bender Rosenthal.

This absorption pace is also reasonably consistent with population projections. SACOG projects a leveling out of Roseville population somewhere during the period 2005 to 2010, at a population of about 106,600. Given the current Roseville population of 71,600, that means that population is projected to increase by about 35,000, or about 14,000 families (2.5 persons per family).

Since demand for residential housing in Roseville should continue to be very strong for the next five to seven years, absorption within any specific plan area, to some degree, depends on how soon the infrastructure be installed, and builders can have product available. Many of the Roseville subdivisions with standing product are selling at least one unit per week, and some are selling over three units per week.

The owners of the subject property are being solicited to sell many of their parcels now, but they are reluctant to do so until at least the infrastructure financing is in place. Once it is, many of their parcels would be immediately available for development, as they are adjacent to existing roadway and utility service lines.

After considering all of these factors, as well as the property owners' own development plan, we have enough information to reasonably project an absorption schedule for the subject property build out. That schedule is shown below.

HIGHLAND RESERVE NORTH

Residential Land Absorption Projection

Parcel	Lot Type	Remainder, 1999	2000	2001	2002	2003	Totals
1A	LDR					16.70	
1B	LDR				22.75		
2	LDR			31.77			
3A	LDR				9.41		
3B	LDR				18.90		
4	LDR			28.54			
5	LDR			14.64			
6	LDR		20.05				
7	LDR		22.27				
8	LDR		20.65				
9A	LDR		21.50				
9B	LDR		17.38				
10	LDR		19.40				
Total, LDR Acres		0	121.25	74.95	51.06	16.70	263.96
Percent		0%	46%	28%	19%	6%	100%
20	MDR			14.63			14.63
Percent				100%			100%
30	HDR					13.90	
31	HDR				11.77		
Total, HDR Acres		0	0	0	11.77	13.9	25.67
Percent:		0%	0%	0%	46%	54%	100%

Factors Affecting Commercial Absorption

Total Commercial Capacity. Roseville has entitled a significant amount of land entitled or designated for commercial development, as the following chart attests. In fact, if all of the land so entitled were developed to retail uses, the retail square footage compared to the population of the entire South Placer County area would greatly exceed the national average of about 25 feet per square foot per capita. Commercial land is considered "absorbed" when it is controlled by a commercial or retail developer who is in the process of securing design approval.

ROSEVILLE COMMERCIAL LAND CAPACITY
(As of 3/31/99)

Plan Area	Acres Not Yet Approved	Approx. Future SF (1)	Completed SF	Under Construct. SF	Approved SF	Total Build-out SF
Old Roseville						
Infill Area	-	1,753,400	3,126,500			4,879,900
East of I-80:						
NERSP	-	-	1,114,420	119,540	1,301,474	2,535,434
SERSP	28	240,538	106,670	46,383	150,707	544,298
SRSP	36	311,018	-	-	-	311,018
West of I-80:						
NCRSP	-	-	383,781	729,600	2,990,753	4,104,134
HRNSP	165	1,440,616	-	-	-	1,440,616
NISP	44	384,635	-	-	96,678	481,313
NWRSP	22	193,929	-	131,866	602,190	927,985
DWSP	11	94,090	15,000	-	-	109,090
NRSP-1	42	363,290	-	-	862,200	1,225,490
NRSP-2	-	-	-			-
NRSP-2 +	16	135,907	-			135,907
TOTALS	363	4,917,424	4,746,371			16,695,186

(1) Unapproved acres times 0.2 FAR

Hausrath equivalent number is 14,832,700 square feet.

The total capacity equals:

156 square feet per Roseville resident at full build-out.

67 square feet per resident for Roseville and surrounding communities at full build-out.

Source: Quarterly Development Activity Report, First Quarter 1999, City of Roseville, and Bender Rosenthal

Nearby Residential Neighborhoods. Although the commercial development potential, as a whole, seems excessive relative to the likely surrounding population base, the new housing areas, containing residents with incomes well above average, certainly will need commercial and retail services. The western-most specific plan areas are where the development is occurring at present, and these areas will need immediate retail services. Retail facilities that can serve the Highland Reserve, Highland Reserve North and the North Roseville specific plan areas will be in obvious demand over the next several years.

Location, Access and Competition. As has been the developing case since the late 1940s, when automobiles became available again after World War II, location and access have been paramount retail store attributes. The natural location for retail through the northwest Roseville area is along and adjacent to the area's spine: Highway 65. Although Highway 65 is an expressway in this area, there exist three full interchanges to provide access for both local and regional shoppers. These are: Harding Boulevard, Pleasant Grove (not available until summer, 2000) and Blue Oaks. The area will be anchored by the Galleria Mall, now under construction.

Except for the massive development planned and underway at the Harding Boulevard / Roseville Parkway area, including the above mentioned mall, the bulk of the commercial land in this entire northwest area is found in the subject appraised specific plan area, Highland Reserve North, and to a lesser extent in Rocklin. All of this land is sandwiched between Highway 65 and Fairway Drive, except for the 83 acre Rocklin parcel located at the northeast quadrant of Blue Oaks and Highway 65; sale contracts have been executed to date. The development of the Highland Reserve North commercial area should emulate that of Highway 50 or the Sunrise Boulevard area in the Sunrise area in Sacramento, or the I-80 area in the older part of Roseville. The prospective Home Depot land sale, now in escrow, should be the first of a steady procession of sales on this north, or "going home" side of the Highway 65 expressway.

Infrastructure Installation. To some degree, where infrastructure is installed first affects the course of development. The subject CFD financing should open up the subject area as quickly as any other area in this northwest quadrant of the city.

Current Activity. Currently parcels 44, 45A and 45B, all immediately west of the Costco / Toys "R" Us retail complex, are in escrow. One of the users reportedly will be Home Depot (refer to map on page 28). Reportedly there is interest in 43A and 43B, across Fairway Drive from these properties, as well, and some development reasonable could be anticipated to occur next year.

As discussed earlier, the Pleasant Grove Boulevard / Highway 65 interchange should be completed by summer, 2000. The northern quadrants of this interchange should be very desirable for retail development. Also, the parcels near the Blue Oaks interchange should be actively sought at about the same time, if residential development progresses as planned. Thereafter, "in-fill" development of the remainder parcels should occur.

After considering all regional and demographic data, and after consulting with the developers, brokers, and other knowledgeable sources, we project commercial land absorption to occur in a pattern that more or less conforms with the chart on the following page.

HIGHLAND RESERVE NORTH

Commercial Land Absorption Projection

Parcel	Remainder, 1999	2000	2001	2002	2003	Totals
40		14.17				
41		12.39				
42A			18.26			
42B					3.75	
43A		20.6				
43B		1.00				
44	3.96					
45A	14.01					
45B	15.43					
46A		9.57				
46B		10.78				
46C			16.43			
47A				9.44		
47B				9.50		
47C			9.38			
Acres:	33.4	68.51	44.07	18.94	3.75	168.67
Percent:	20%	41%	26%	11%	2%	100%

Concluding Comments. These absorption projections are made subject to facts as they are known today, and also to certain assumptions including, not insignificantly, that the economy will continue to be expansionary over the next several years, and that interest rates will remain moderate. Also, the assumption has to be made that the intended infrastructure will be installed as planned, and without undue delay – sales certainly would be delayed if the product were not available for purchase.

V. VALUATION METHODOLOGIES DISCUSSION

Highest and Best Use Analysis. Highest and best use may be defined as 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.[7]

There are four property use aspects commonly investigated in the highest and best use analysis process. These are:

1. **Legally Permissible Uses.** What uses are permitted legally under existing zoning, land use planning, building codes, historic district controls, environmental regulations, deed (private) restrictions, and long-term lease provisions on the site in question?

2. **Physically Possible Uses.** What uses of the site are physically possible, given its size, shape, area, terrain, soils composition, accessibility, assembly potential, and risk potential from natural disasters?

3. **Financially Feasible Uses.** Which possible and permissible uses will produce a positive net return to the owner of the property?

4. **Maximally Productive Use.** Among the feasible uses, which use will produce the highest residual land value consistent with the rate of return warranted by the market for that use?

Development of the appraised properties will be constrained by the requirements of the Highland Reserve North Specific Plan and the related development agreement. Although some use changes might occur, developers generally will have to adhere to the land use designations that have been applied to their properties. Therefore, as a practical matter, the Specific Plan really determines the highest and best use mix within any particular group of properties.

Basic Methodology. Two values are presented. The first value, the *Free and Clear Value; fee simple value* is the value subject only to the four governmental powers, and not encumbered by any bonds, Mello-Roos or otherwise, and not subject to payment of any special taxes. The *Value Subject to Special Tax and Assessment liens* is the cash price that would be paid for a property or group of properties, assuming that annual special tax payments have to be made.

Using primarily the sales comparison approach to value, we have determined retail values for all taxable properties that lie within the confines of the Highland Reserve North Specific Plan Area. All the properties are vacant, undeveloped lands. A number of land parcels are ready for development, and they are valued "as is", using the sales comparison approach. Still, others may not be considered available for immediate development, but they are nevertheless valued as if ready for development, or at least ready for marketing to a developer or merchant builder. The retail values of the properties in this last group are then discounted, using discounted cash flow analyses, to determine "as is" values. Finally, all of these values are presented,

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[7] THE APPRAISAL OF REAL ESTATE (Eleventh Edition), Appraisal Institute, Chicago, Illinois, 1996, p. 297.

in summary form. The discounted cash flow analyses rely on projections of future absorption of these properties. These projections are presented in the previous section. To clarify the valuations, and define the terminology, the following section presents to logical steps in our analysis.

The definitions of the *Free and Clear Value; fee simple value,* and the *Value Subject to Special Tax and Assessment liens* introduced earlier. The outline presented below describes the methodology for each of the reported value opinions.

THE METHODOLOGY LEADING TO THE FREE AND CLEAR VALUE:

1. Retail Sales Adjustments and Retail Value Determination.

    - First, adjust any comparable sales which are subject to a special tax upward so as to determine the "free and clear" value. *This adjustment is based on how the market perceives the special tax effect on the sale price of a property, and it is not necessarily equal to the amount of corresponding bonded indebtedness.*

    - Next, adjust for any "wholesale" effects (e.g., buyer purchasing more lots than he can use at one time, meaning that he is really purchasing at least some of them "wholesale", or at a discount, in his view of the transaction. Another way of saying this is that he is buying at a price at which he can endure additional future carrying costs until the development of the lots is feasible).

    - Finally, adjust the comparables for differences in quality and physical characteristics, relative to the subject.

The result of all this is a group of adjusted comparables from which the **retail "free and clear" (aka fee simple) value** of the subject lot type can be determined.

2. Determine **fee simple bulk value.**

    - Future absorption is projected and retail values are discounted accordingly.

    - Note that *no special tax payments* should be taken into account in the discounting; this is purely a free and clear analysis.

Definitions:

Free and clear value; fee simple value: The value subject only to the four governmental powers, and not encumbered by any bonds, Mello-Roos or otherwise, and not paying any special taxes with all infrastructure in place.

Assumption: The various infrastructure and other improvements that any proposed bonds are to pay for have been fully completed.

THE METHODOLOGY LEADING TO "FEE SIMPLE VALUE SUBJECT TO SPECIAL TAX AND ASSESSMENT LIENS:"

1. Retail Sales Adjustments and Retail Value Determination.

   - First, adjust any comparable sales which are not subject to a special tax, or which are subject to a special tax with annual payments significantly different than those of the subject, so as to be equivalent to the subject with its special tax load. *This adjustment is based on how the market perceives the special tax effect, and is not necessarily equal to the amount of corresponding bonded indebtedness.*

   - Next, adjust for any "wholesale" effects (e.g., buyer purchasing more lots than he can use at one time, meaning that he is really purchasing at least some of them "wholesale", or at a discount, in his view of the transaction. Another way of saying this is that he is buying at a price at which he can endure additional future carrying costs until the development of the lots is feasible).

   - Finally, adjust the comparables for differences in quality and physical characteristics, relative to the subject.

The result of these steps is a group of adjusted comparables from which the **fee simple value subject to special tax and assessment liens** of the subject lot type can be determined. This retail cash price that one would expect to be paid for the subject lots if they were ready to be developed today.

2. Determine **fee simple bulk value subject to special tax and assessment liens** by projecting absorption and discounting accordingly.

   - Note that *special tax payments should be taken into account* in the discounting, as this analysis is a cash analysis, and the bulk buyer of a property subject to special tax would have make these payments during its holding period.

Definitions:

> **...value subject to special tax and assessment liens.** The cash price that would be paid for a property or group of properties, assuming that annual special tax payments are required.
>
> Assumption: The improvements that any proposed bonds are to pay for have been made.

Sales Comparison Approach to Valuation. Appraisal valuation is usually attempted using three primary methodologies that are widely accepted within the profession, called "approaches". Two of these, the Cost Approach and the Income Approach, are best suited for the valuation of improved, income producing properties, and therefore are of limited use in this appraisal assignment involving mostly unimproved land parcels. The Sales Comparison Approach, however can be applied to both improved or unimproved real property interests, as long as similar interests of other properties have, in fact, sold in the market. The Sales

Comparison Approach methodology involves the accumulation of sale data of comparable properties, the analysis of each sale, and the adjustment of each sale, relative to the subject property, for conditions such as favorable seller financing, changes in market conditions, and dissimilar physical or other characteristics.

Explanation of the Base Values Concept. Since a relatively large number of individual properties must be valued, the various sales comparables within each property type (single family residential parcels, for example) are adjusted relative to a typical, albeit hypothetical, subject parcel. Then, further adjustments are made, if and as necessary, to value an individual parcel relative to the typical parcel. In this manner, a retail value, free and clear of bonds, is derived for each valued property as well as a value subject to special tax.

Treatment of Encumbering Bonds. In some appraisal situations properties are valued subject to encumbering bonds, and the value derived is indicative of the cash price that might be paid for that particular property subject to those bonds. However, such a value must be defined as something other than the fee simple estate value. The situation is somewhat analogous to concluding that the value of a house that might sell for $200,000 is worth only $80,000 because there is a $120,000 mortgage encumbering it; the equity value may be only $80,000, but the fee simple estate is certainly worth $200,000. We have assumed that all bonded improvements are in place and that the properties are subject to the bonds during the holding period, which we believe is in accordance with CDIAC guidelines.

Treatment of Residential Properties and Land. Properties within the various residential sub categories are valued as further explained below.

Paper Lots. The lots sizes and allowable densities were earlier in the report.

Multi-family Unimproved. There are two multifamily residential lots subject to discounting.

Treatment of Non-Residential Properties and Land. Properties within the various non-residential sub-categories are valued as further explained below.

Non-Residential Land Currently Being Developed. Three properties are considered already absorbed. They are 44, 45A and 45B. Parcel 45A referred to as the Home Depot site, is rough graded, and title will shortly change vesting. Parcel 44 and 45B are under contract to a "hard" goods big box retailer and are anticipated to close in late fall.

Non-Residential Properties to be Absorbed in the Future. Additional commercial, and village commercial property will be absorbed in the future. The retail values of these properties are estimated using sales comparison techniques, and the values are then discounted over the absorption projection. Those properties with freeway exposure, or frontage along two arterials have been adjusted upward. A presentation of the retail values for the commercial properties to be absorbed follows.

Exempt Parcels. The *Rate and Method of Apportionment Special Tax* (6/12/99) as prepared by Economic and Planning Systems defines exempt parcels as "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." In this analysis, no value is assigned to the exempt parcels.

Explanation of the Discounted Value Analysis Concept. After the retail values of the various properties that are not in immediate market demand have been estimated, bulk sale value estimates can be derived. It is expected that the various properties not in immediate demand will realize their retail values at various times in the future. However, it is virtually impossible to predict which particular properties will be developed sooner, and which will be developed later. It is more realistic to project the *pace* of overall development over future time, and those projections have been made and in the previous section.

During 1997 and 1998, residential lots were being purchased by builders for delivery in segments over varying periods of time, usually in the form of a "rolling option". Although lot "contracts" were generally 20 to 100 lots, "takedown" increments of 10 to 12 lots at a time was typical. If the builder were to experience slow absorption, he would not be required to exercise his future options. Conversely, however, the developer would often include an escalation or inflation factor to increase the lot price to the builder over time. Currently, because of the strong residential market, merchant builders are willing to purchase 200 lots under one contract, even though sellers are offering little or no "bulk" discount.

The pace of absorption for the single family homes is based on the anticipated pace of home sales. Our comparative sales analysis uses "paper lot sales" of purchases ranging in size from 30 to 105 lots. Typically, the lots are contracted with a non-refundable deposit, and then transferred on specific dates, e.g., December 1998 and April 1999. Inherent in the purchase price is a "discount" or a deduction for holding the lots until they can be sold. These costs include taxes, insurance and bond payments and "opportunity cost" discounting.

To adjust for the difference in our absorption pace based on single family residences and the fact that inherent in the paper lot value is a deduction or discount for a hold period, we have adjusted the absorption schedule *closer in time.*

The absorption properties can then be merged with the retail value analyses, and the resulting future net sales proceeds that are projected for each future year can be discounted at an appropriate rate to determine the free and clear value estimate. Based on our interviews with developers and investors, we estimate that the appropriate discount rate is in the range of a 12% to 15% *real rate of return*[8], and we have selected a discount rate of 15%, as further discussed later in this report.

In this appraisal, future retail prices are expressed in 1999-dollar terms (no inflation is projected), and therefore the discount rate need not include an inflation premium component.

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[8] A real rate of return is an inflation adjusted rate of return. If inflation were expected to remain at the 3% level, more or less, then the equivalent nominal (unadjusted) rate range would be 15% to 18%. We have used a real rate of return so as to avoid having to also adjust future retail values for inflation.

The risks that the hypothetical bulk buyers/investors are assuming include the risk inherent in securing the additional government approvals needed prior to development of some of the properties, some project infrastructure design risk, and the risk relating to the pace of future demand for the product to be built (marketing risk). In our opinion, the discount rate should not include building construction risk, which would be assumed later, and possibly by different parties.

Development and Holding Expense Analysis. Some holding, development, and marketing expenses are encountered by a holder of property during the period of time that discounting applies. These include marketing, administration, real estate taxes, and others. All of these are discussed in more detail in Valuation Analysis section of this report.

VI. COMPARABLES DATA ANALYSES

Land Use. The various property classifications that are included in the CFD should be identified prior to presenting comparables data. The prominent land uses within the district include single family detached residential, multifamily attached residential, commercial, parks and school uses. Land use in the Plan area is organized around five key concepts or themes establishing the placement and general character of specific land uses. These concepts/ themes are:

1. The Village Square. There are approximately 45 acres located centrally in the district, and this acreage is intended to have a pedestrian oriented community center theme. Three general uses are split among 3 adjacent parcels: Parcel 40, a 14.17 acre parcel designated as a neighborhood commercial center, Parcel 52, a 20.5 acre parcel designated as a large community park, and Parcel 60, a 10 acre parcel designated as an elementary school.

2. Traditional neighborhoods organized around neighborhood parks. The residential parcels are organized in three distinct neighborhoods, each oriented around small interior neighborhood parks intended as a place for residents and children to meet, socialize and play.

3. Pedestrian pathway system. A walkway system is intended to link the residential neighborhoods and neighborhood parks with the Village Square. The walkway is expected to extend to a pedestrian loop that will connect to the City-wide biking system.

4. Highway oriented commercial buffer. A regional commercial band adjacent to Highway 65 will make use of the freeway access and visibility, and it will serve as a transitional buffer for the neighborhoods to the north of the freeway.

5. Preservation and utilization of open space. Approximately 68 acres of the total land area within the plan is designated for open space uses, including the neighborhood parks, the central park, and the watershed corridors. (No value has been assigned to the watershed corridors).

The following is a description of the land uses within the district as designated by the Highland Reserve North Specific Plan, adopted by the City of Roseville's Council on May 28, 1997. (Amendment to the North Central Roseville Specific Plan, adopted by the City of Roseville's Council on July 5, 1990).

Residential Land Uses. The Highland Reserve North Specific Plan has identified proposed totals for dwelling units and resulting gross density levels, and the proposed phasing is described in greater detail within the plan and related documents. Residential classifications set a target average number of units per net acre (excluding public streets) within a specified density range. The density on a portion of a project site may be anywhere within the designated range as long as the average density per net acre of all the sites of that density category in the whole Planned Development (PD) approximates the target average established for the residential land use classification. The housing types range from single family detached residential units to multifamily attached apartments, and the specified densities range from 1.0 to 12.9 dwelling units per acre. The policy for the single-family residential neighborhoods is to separate them from other areas and buffer them from noise and traffic.

Low Density Residential (LDR). The General Plan land use designation for this use is Low Density Residential, and the zoning district is RS/DS (Small Lot Residential – Development Standard Overlay). This designation is intended for attached or detached single family units, or similar or related compatible uses, with a density level ranging from 1.0 to 6.9 density units per acre. The LDR uses account for a total 1,183 units within the district. Of these LDR units, 577 are included within Phase I, and 606 units in Phase II. The types of lots anticipated in this density range include small lots and clustered lots as well as conventional lots. It is anticipated that one or more of the LDR large lot parcels may be developed as an MDR small lot subdivision (described in more detail below).

There are five densities categories extracted from the allowable units and the acreages allowed in the specific plan. The list below translates the densities into the most typical lot size used in the valuation.

Parcels 1A, 1B, 2, 3A, 3B, 4	Anticipated lot sizes averaging 6,000 SF or 4.68 to 4.75 Dwelling Units/Acre (DU/Ac)
Parcel 9A	Anticipated lot size averaging 6,500 SF or 4.5 DU/Ac
Parcels 5, 8	Anticipated lot size averaging 6,800 SF or 4.5 to 4.6 DU/Ac
Parcel 6	Anticipated lot size averaging 6,900 SF or 4.2 DU/Ac
Parcel 7, 10	Anticipated lot sizes averaging 7,200 SF or 4.4 DU/Ac
Parcel 9B	Anticipated lot size averaging 10,000 SF or 2.9 DU/Ac

Medium Density Residential (MDR). The General Plan land use designation for this use is Medium Density Residential, and the zoning district is RS (Small Lot Residential). This designation is intended for a wide variety of unit types with density levels ranging from 7.0 to 12.9 density units per acre. The purpose of the Medium Density Residential designation anticipates small lots, or, more typically, attached dwelling units, at an average density of approximately 8.0 dwelling units per acre, accounting for a total of 117 units in the Highland Reserve North Specific Plan area. The present MDR component is located in Phase I on Parcel 20, which is an approximate 14.63 acre parcel in close proximity to the Village Square parcels (No. 40, 52 & 60). As previously mentioned, it is anticipated within the Specific Plan that one or more of the LDR large lot parcels may be developed as an MDR small lot subdivision.

High Density Residential (HDR). The General Plan land use designation for this use is High Density Residential, and the zoning district is R3 (Attached Housing). The district is intended for multiple-family housing. The types of land uses intended for the R3 zoning district include apartments, condominiums, townhomes, and similar and related compatible uses. The Specific Plan provides for two multi-family residential sites, one located in Phase I and the other in Phase II. The two sites will account for a total of approximately 470 dwelling units in this HDR category, and they reflect an average density of 18 to 19 dwelling units per acre.

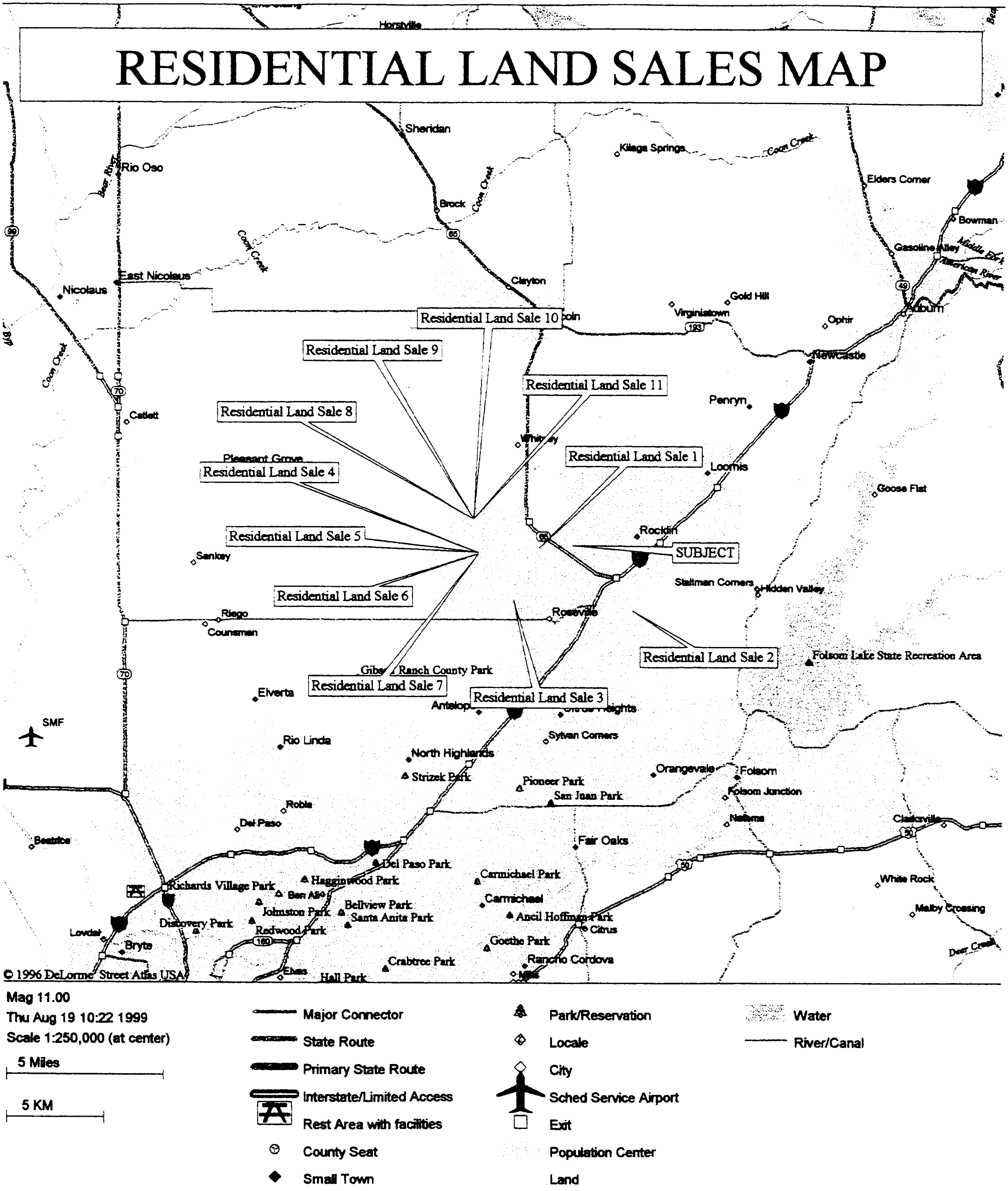
Commercial Land Uses. Commercial development under the Specific Plan is intended to provide a mix of shops and services for plan area residents as well as serving as destination shopping for other nearby communities. Regional access will be from Highway 65 via the planned Pleasant Grove Boulevard interchange and the existing Stanford Ranch Road interchange. The commercial sites are intended to be pedestrian oriented, as well as auto oriented. The two primary proposed land uses in the Highland Reserve North Specific Plan area consist of Village Square Commercial and Community Commercial. (Highway Commercial and Business-Professional Commercial uses are also anticipated within the two primary categories.)

Village Square Commercial. The General Plan land use designation for this use is Community Commercial, and the zoning district is CC/SA (Community Commercial -- Special Area Overlay). The Village Square Commercial site, "Parcel 40", is intended to have a neighborhood focus and serve as a primary focal and activity center for the community's residents. It may include such uses as retail shops, services and restaurants to meet the convenience shopping needs of the residents and employees in the Specific Plan area. It may also be utilized for office uses. A special overlay district has been applied, modifying the uses otherwise permitted by the Community Commercial zone district, and prohibiting uses that may conflict with adjacent uses or that may be considered inconsistent with the Village Square character. (Extensive design guidelines pertaining to the Village Square have been included in the Specific Plan.)

Community Commercial. The General Plan land use designation for this use is Community Commercial, and the zoning district is CC/SA (Community Commercial -- Special Area Overlay). The Community Commercial land use sites are intended to serve the principal retail shopping needs of the entire community by providing areas for shopping centers, and other retail and service uses. The sites are also intended to serve as destination shopping for other nearby communities. The commercial uses are considered an extension of the approved commercial uses on the adjacent North Central Roseville Specific Plan power center site, and are expected to complement the regional mall and associated commercial uses south of Highway 65. It is anticipated that the Highway 65 freeway frontage will be well suited to a mix of commercial and office park environments, as well as business professional uses.

Residential Land Sales. A compendium of residential land sales follows on the next few pages. A map showing sales comparables' locations follows in the next page.

RESIDENTIAL LAND SALES MAP



RESIDENTIAL LAND SALES SUMMARY

No.	Location	Sale Date	No. of Lots	Price Per Lot without adjusting for Bonds	Buyer	Average Lot Size
P1	Highland Reserve, Villages 18 A/18B Roseville	January 1999	101	$18,000	DR Horton	5,000 SF
P2	Stoneridge, Village 1,2 and 5 Roseville	June 1999	351	$35,000 $50,000	Lennar Renaissance	6,300 - 6,825 SF 10,000 SF
F3	East side of Washington Boulevard, Highland Reserve West, Roseville	April 1998	60	$43,000	DR Horton	7,000 SF
F4	Woodcreek North Village 2, Roseville	June 1999	95	$34,250	Forecast Homes	6,600 SF
P5	Woodcreek North Village 3, Roseville	April 1999	108	$38,000	Signature Homes	9,406 SF
P6	Woodcreek North Village 4 Roseville	November 1998	142	120 lots @ $34,700 22 ½ Plexes @ $10,000	Morrison Homes	6,500 SF
P7	Woodcreek North , Village 5 Roseville	March 1999	136	114 lots @ $23,070 22 ½ Plexes @ $10,000	Beazer Homes	5,000 SF 22 Medium Density ½ Plexes
P8	Diamond Creek, Village 1A, Roseville	June 1999	145	$28,000	Woodside	6,825 SF
P9	Diamond Creek, Village 1B Roseville	June 1999	81	$35,000	US Homes	6,825 SF
P10	Diamond Creek Village 4, Roseville	Escrow	69	$47,000	Laing Homes	7,510 SF
P11	Diamond Creek Village 5, Roseville	Escrow	38	$47,000	Laing Homes	7,510 SF

Comparable Paper Lot Sale P1 represents a 101 lot transaction at Highland Reserve, Villages 18A/18B encompassing an area of approximately 22.8 acres. This development has frontages along Roseville Parkway and is surrounded by a greenbelt amenity. The property was purchased for $18,000 per paper lot, which does not include the value of the bond obligation. The buyer is a production homebuilder, D.R. Horton. The imputed value of the bond obligation is an additional $17,610 per lot as reflected by the capitalization of the annual payment at the mortgage constant for 6% and 25 years.

The site was unimproved entitled land with utilities to the site. The topography of the site is generally level and at street grade. These are smaller, 5,000 square foot lots.

The purchase price was negotiated during a slightly weaker market. The purchase of 101 lots represents about a one year inventory and did not warrant an additional adjustment. Although location is similar, the Highland Reserve area suffers from a stigma created during its struggling past and is known for having high bonds.

Comparable Paper Lot Sale P2 is located within the Stoneridge Specific Plan area, off East Roseville Parkway. This property sold in June 1999 for $35,000 and $50,000 per "paper lot", on a free and clear basis (this property is not encumbered by bonds.) There were 94, 10,000 square foot lots purchased for $50,000 per lot. The buyer, Lennar Renaissance plans on developing move-up, upper end homes. The original purchase price was negotiated almost a year prior to closing. The seller, AKT Development was responsible for negotiating and mitigating existing wetlands. During the one year escrow, the sales price was never renegotiated.

The property is adjacent to developed areas of Roseville. Access from Sierra College Boulevard and East Roseville Parkway will be excellent upon completion of the arterials. The topography is irregular, with scattered oaks throughout the property. The 257 lots purchased in Villages 1 and 2 are adjusted upward compensating for the discounted bulk sale price.

Comparable Finished Lot Sale F3 is a 60 lot purchase in the Highland Reserve West planned area. The property is located on the east side of Washington Boulevard, south of Roseville Parkway. The property was sold to D. R. Horton in April, 1998, for $43,000 per lot, plus the assumption of the CFD bonds which had been paid down by the seller to $1,050 annually per lot. The imputed value of the bonds using a mortgage constant for 6% and 25 years equates to approximately $13,583 per lot.

The subdivision has a typical lot size of 7,000 square feet, and the topography of the property is mostly level. The lots were finished some time ago and the finishing cost was estimated at $17,000. D. R. Horton will develop homes from 1,840 to 2,353 square feet with anticipated sale prices starting from $180,000.

This comparable was purchased during a weaker market indicating a slight upward adjustment. The property has frontages along Washington Boulevard and Roseville Parkway. Single families are currently being developed in this subdivision known as West Park.

Comparable Paper Lot Sale P4, P5, P6, P7 represent sales within the Woodcreek North planned area. Comparables P8, P9, P10 and P11 are all within the Diamond Creek planned area.

Comparable Finished Lot Sale 4 is a bulk sale of 95 lots known as Woodcreek North, Village 2. The property borders Fiddyment Road. It was sold to Forecast Homes in June of 1999, with terms of the purchase negotiated in April of 1999 for $34,250 per lot. According to the Broker, an additional $14,500 per lot was required for improvements to bring the lots to a finished lot status. The property was graded to balance the site and sold at a "super pad status". This property does not border an open space amenity, but is in close proximity to the proposed school, and extensive wetlands and open space corridor. The imputed value of the bond obligation is an additional $11,928 per lot (approximately $1,500 for grading). The topography is generally level, and the lot sizes average 6,600 square feet.

This comparable was negotiated and purchased recently, representing current market conditions. The appeal is slightly superior, primarily due to the project amenities (open space corridor).

Comparable Paper Lot Sale P5 is called Woodcreek North, Village 3. It is located west of Woodcreek Oaks Boulevard, the major arterial in the specific plan area. This comparable's northern boundary is delineated by an interior arterial separating it from the planned school and park. This sale represents the acquisition of 108 paper lots within the Woodcreek North area. The buyer, Signature Homes entered a purchase agreement in February 1999 with a closing in April of 1999 for a sale price of $38,000 per lot, not including the value of the bond obligation. The total imputed value of the bonds are estimated at $11,928 per lot.

No adjustment has been made for the number of lots purchase, or market conditions. The area's appeal is considered slightly superior to the subject.

Comparable Paper Lot Sale P6 is called Woodcreek North, Village 4. Its borders are formed by Fiddyment Road and Woodcreek Oaks Boulevard and is located just south of Villages 2 and 3 described earlier. This 142 lot purchase includes both 6,500 square foot lots (on average) and 22 ½-plexes, or medium density zoning. The buyer, Morrison Homes entered a purchase agreement in June 1998 with a closing in November of 1998. The lot sale price of $34,700 not including the value of the bond obligation. The total imputed value of the bonds are estimated at $11,928 per lot.

The purchase of this comparable was during weaker market conditions. Amenity influences such as a park, or open space does not exists. The area's appeal is considered slightly superior to the subject. Of the total 142 lot purchase, 120 lots, 7,000 square feet and require an upward adjustment of $587 per lot because of the additional carrying costs.

Comparable Paper Lot Sale P7 is called Woodcreek North, Village 5. Its borders are formed by Woodcreek Oaks Boulevard to the west with its northern border formed by the park. Eleven of the 114 have premium park locations. This 136 lot purchase includes both 5,000 square foot lots (on average) and 22 ½-plexes, or medium density zoning. The buyer, Beazer, entered a purchase agreement in October 1998 with a closing in March of 1999 for a sale price of $ 23,070 per lot, not including the value of the bond obligation for the 5,000 SF lots. The total imputed value of the bonds are estimated at $11,928 per lot.

The purchase of this comparable was during slightly weaker market conditions. The property has superior amenity influences from the park. The area's appeal is considered slightly superior to the subject. Of the total 134 lot purchase, 114 lots are 5,000 square feet in size and were purchased requiring an upward adjustment of $285 per lot because of the additional carrying costs.

Comparable Paper Lot Sale P8 is called Diamond Creek, Village 1A. Its borders are formed by Fiddyment Road to the west, and Placer County to the north. This 145 lot purchase includes 6,825 square foot lots. The buyer, Woodside Homes purchased the property in June of 1999. The lot sale price of $28,000 does not include the value of the bond obligation. The total imputed value of the bonds are estimated at $14,398 per lot.

A portion of this comparable's eastern boundary borders a park/open space amenity. The area's appeal is considered slightly superior to the subject. An upward adjustment of $869 per lot is made because of the additional carrying costs as a result of purchasing 145 lots.

Comparable Paper Lot Sale P9 is called Diamond Creek, Village 1B, located east of the previous comparables. Placer County forms its north border. This 81 lot purchase is of 6,825 square feet lots (on average). The buyer, US Homes purchased the property in June of 1999, after the Presley Companies did not complete a previous option to purchase. The lot sale price of $35,000 does not include the value of the bond obligation. The total imputed value of the bonds are estimated at $14,398 per lot.

A portion of this comparable's western boundary borders a park/open space amenity. The area's appeal is considered slightly superior to the subject. No adjustment has been made for the number of lots purchased.

Comparable Paper Lot Sale P10 is called Diamond Creek, Village 4, located bordered by Villages 2 (to the west) and 5 (to the east). This comparable's southern border if formed by the open space corridor. Sixty-nine (69) 7,510 square foot lots were purchased by Polygon Communities (Polygon Communities was then purchased by Lennar Renaissance.) They were subsequently sold to Laing Homes as part of a large 800 lot purchase in multiple counties. According to our sources, the large purchase did not result in a "bulk" discount. These lots sold for $47,000 and does not include the value of the bond obligation. The total imputed value of the bonds are estimated at $14,398 per lot.

Unit 4 enjoys the adjacent open space/oak tree amenity. Topography limits the buildable area to approximately 6,500 square feet. In fact, because of the topography, and the higher lot premiums, the builder anticipates two-story single family residences.

This comparable's southern boundary borders a park/open space amenity. The area's appeal is considered slightly superior to the subject. No adjustment has been made for the number of lots purchased.

Comparable Paper Lot Sale P11 is called Diamond Creek, Village 5, located east of Village 4. Thirty-eight (38) 7,510 square foot lots were purchased by Polygon Communities (Polygon Communities was then purchased by Lennar Renaissance.) They were subsequently sold to Laing Homes as part of a large 800 lot purchase in multiple counties. According to our sources, the large purchase did not result in a "bulk" discount. These lots sold for $47,000 and does not include the value of the bond obligation. The total imputed value of the bonds are estimated at $14,398 per lot.

This comparable does not enjoy a park/open space amenity. Its topography limits the building pad to approximately 6,000 square feet (the entire 7,510 square foot site is not useable). The builder anticipates two-story residential homes on the sites. The area's appeal is considered slightly superior to the subject. No adjustment has been made for the number of lots purchased.

Adjustment Categories. No adjustments are required for property rights acquired, financing terms or condition of sale. Some adjustments are necessary for Mello-Roos bonds, lot finishing and engineering costs as well as an adjustment for the number of lots purchased at one time.

Mello-Roos Bonds. Many of the comparables are subject to annual Mello-Roos bond payments, which are ongoing charges to the property concerned, rather than a one-time fee assessed to the property at the time of development. Based upon our findings, the most logical method of comparing is to view these costs as an additional payment on the individual lots at 100% of the imputed value. Therefore, the bond equivalent values are imputed for each comparable using the loan constant for a 6.0%, 25-year loan, or 7.73%, the typical rate and amortization of the bond financing.

Finished Lot and Engineering Costs. All of the comparables are adjusted to a "paper lot" status similar to the subject's paper lot state of development. Finished costs are based on the actual cost to place curb, gutter, sidewalk as reported during confirmation. Engineering costs are based on interviews with the same buyers, sellers, and engineers.

Number of Lots Purchased. Developers no longer offer "rolling lot options", or an option to purchase small quantity of lots over a longer period of time. Instead, the market requires builders to purchase 100 to 200 lots. To offset the discount inherent in these comparable large paper lot purchases, we have adjusted large lot quantity purchase comparables upward. For sales under 110 lots, no adjustment is made, as this represents about a one year's inventory. For larger purchases, such as 150 lots, a weighted average is calculated. A 10% price adjustment is made to lot prices over a 100 lot threshold. (Also, adjustments are made to those comparables with more than 110 lots within one lot size segment). Then the two values are extended and summed, and an average adjustment per lot is calculated. For example, P-2 represents the purchase of 257 lots at $35,000 per lot. The mathematics is demonstrated below.

100 lots x $35,000 =	$3,500,000	
157 lots x $35,000 x 1.10 =	$6,044,500	
Total	$9,544,500 ÷ 257 lots =	$37,138 per lot
Adjustment	$37,138 - $35,000 =	$2,138

This mathematical calculation is used for comparables P2, P6, P7, and P8.

Valuation Summary

The eleven comparable sales indicate an unadjusted range of value from $18,000 to $50,000 per lot. The following table presents the data for each of the comparables. We have not used quantitative adjustments because of the large number of variables and the lack of paired sales analysis. As applicable, the table following the data grid adjusts the sales for differences in finishing costs by deducting typical costs for finishing the subject lots based on the market. These value indications are then used to bracket the subject lot values using a subjective comparison evaluation analysis.

Adjustment Grid - Comparable Land Sales

	P-1		P-2		F-3		F-4		P-5		P-6		P-7		P-8	
Location	Villages 18A/18b Highland Reserve		Stoneridge Villages 1, 2, and 5		Highland Reserve West		Woodcreek North Village 2		Woodcreek North Village 3		Woodcreek North, Village 4		Woodcreek North, Village 5		Diamond Creek, Village 1A	
Specific Plan Area	North Central		Stoneridge		North Central		North Area		North Area		North Area		North Area		North Area	
Unadjusted $/ Lot		$18,000		$35,000		$43,000		$34,250		$38,000		$34,700		$23,070		$28,000
Status:		Paper		Paper		Finished		Finished		Paper		Paper		Paper		Paper
Comparable's Bonds[9]		$17,610		$0		$13,583		$11,928		$11,928		$11,928		$11,928		$14,398
Finish Cost:		-0-		-0-		-$17,000		-$16,000		-0-		-0-		-0-		-0-
Total Cost:		$35,610		$35,000		$39,583		$44,678		$49,928		$46,628		$34,998		$42,398
VALUE ADJUSTMENTS	DESCRIPTION	+(-) $Adjustment	DESCRIPTION	+(-) $Adjustment	DESCRIPTION	+(-) $Adjustment	DESCRIPTION	+(-) $Adjustment	DESCRIPTION	+(-) $Adjustment	DESCRIPTION	+(-) $Adjustment	DESCRIPTION	+(-) $Adjustment	DESCRIPTION	+(-) $Adjustment
Financing/ Concessions:	Cash to Seller	-0-	Cash to Seller	-0-	Cash to Seller	-0-	Cash to Seller	-0-	Cash to Seller	-0-	Cash to Seller	-0-	Cash to Seller	-0-	Cash to Seller	-0-
Sale Date:	1/99	-0-	6/99	-0-	4/98	+	6/99	-0-	4/99	-0-	11/98	-0-	3/99	-0-	6/99	-0-
Appeal:	Average	-0-	Average	-0-	Average	-0-	Slt. Superior	-	Slt. Superior	-	Slt. Superior	-	Slt. Superior	-	Slt. Superior	-
# of Lots:	101	-0-	351	Yes	60	-0-	95	-0-	108	-0-	142	Yes	114	Yes	145	Yes
# of Lots Purchased (adjustment)				+$2,138								+$578		+$285		+$869
Lot Size/Utility:	5,000 SF		6,300-6,825		7,000 SF		6,600 SF		9,406 SF		6,500 SF		5,000 SF		6,825 SF	
Other																
Net Adjustment:		0		+$2,138		0		0		0		+$578		+$285		+$869
Built-up Cost Paper Lot Value Indication:		$35,610		$37,138		$39,583		$44,678		$49,928		$47,206		$35,283		$43,267

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[9] The subject's bonds per lot are $1,308 annually. The bond equivalent is $16,921 based on a mortgage constant for a 6% interest loan over 25 years or 0.0773.

	P1	P2	F3	F4	P5	P6	P7	P8
Indicated Paper Lot Value Inclusive of Bonds	$35,610	$37,138	$39,583	$46,878	$49,928	$47,206	$35,283	$43,267
Less the Subject's Bonds	$16,921	$16,921	$16,921	$16,921	$16,921	$16,921	$16,921	$16,921
Indicated Paper Lot Value Subject to Special Taxes.	$18,689	$20,217	$22,662	$27,757	$33,007	$30,285	$18,362	$26,346

Adjustment Grid - Comparable Land Sales Continued

	P-9		P-10		P-11	
Location	Diamond Creek, Village 1B		Diamond Creek Village 4		Diamond Creek, Village 5	
Specific Plan Area	North Area		North Area		North Area	
Unadjusted $/ Lot:		$35,000		$47,000		$47,000
Status:		Paper		Paper		Paper
Bonds:		$14,398		$14,398		$14,398
Finish Cost:		-0-		-0-		-0-
Total Cost:		$49,398		$61,398		$61,398
VALUE ADJUSTMENTS	DESCRIPTION	+(-) $Adjustment	DESCRIPTION	+(-) $Adjustment	DESCRIPTION	+(-) $Adjustment
Financing/ Concessions:	Cash to Seller	-0-	Cash to Seller	-0-	Cash to Seller	-0-
Sale Date:	6/99		Escrow		Escrow	
Appeal:	Slt. Superior	-	Slt. Superior	-	Slt. Superior	-
# of Lots:	81	None	69	None	38	None
# of Lots Purchased (Adjustment)						
Lot Size/Utility:	6,825 SF		7,510 SF		7,510 SF	
Other			Topography	+	Topography	+
Net Adjustment:		0		0		0
Built-up Cost & Finished Lot Value Indication:		$49,398		$61,398		$61,398

	P9	P10	P11
Indicated Paper Lot Value Inclusive of Bonds	$49,398	$61,398	$61,398
Less the Subject's Bonds:	$16,921	$16,921	$16,921
Indicated Paper Lot Value Subject to Bonds	$32,477	$44,477	$44,477

Summary of Base Value Indicators for Residential Land

Our analysis is based on a price per lot value. The zoning permits lot sizes ranging from a minimum of 6,000 square feet for R1 zoning and 4,500 square feet for RS zoning. The following table arrays the comparables based on their lot size. The subject's bonds are considered in both values.

No.	Lot Size	Free and Clear Price Per Lot	Subject to Special Taxes
P-1	5,000	$35,610	$18,689
P-7	5,000	$35,283	$18,362
P-2	6,300 - 6,825	$37,138	$20,217
P-6	6,500	$47,206	$29,707
F-4	6,600	$46,878	$27,757
P-8	6,825	$43,267	$26,346
P-9	6,825	$49,398	$32,477
F-3	7,000	$39,583	$22,662
P-10	7,510	$61,398	$44,477
P-11	7,510	$61,398	$44,477
P-5	9,406	$49,928	$33,007
P-2	10,000	$52,138	$33,079

The following table summarizes the base unit values for the single family residential categories:

RESIDENTIAL BASE VALUES		
Lot Size	**Unencumbered, Free and Clear Value**	**Value, Subject to Bonds**
6,000 SF	$35,000	$25,000
6,500 SF	$37,000	$29,000
6,800 SF	$45,000	$31,400
6,900 SF	$47,000	$32,200
7,200 SF	$48,000	$33,000
10,000 SF	$52,000	$45,000

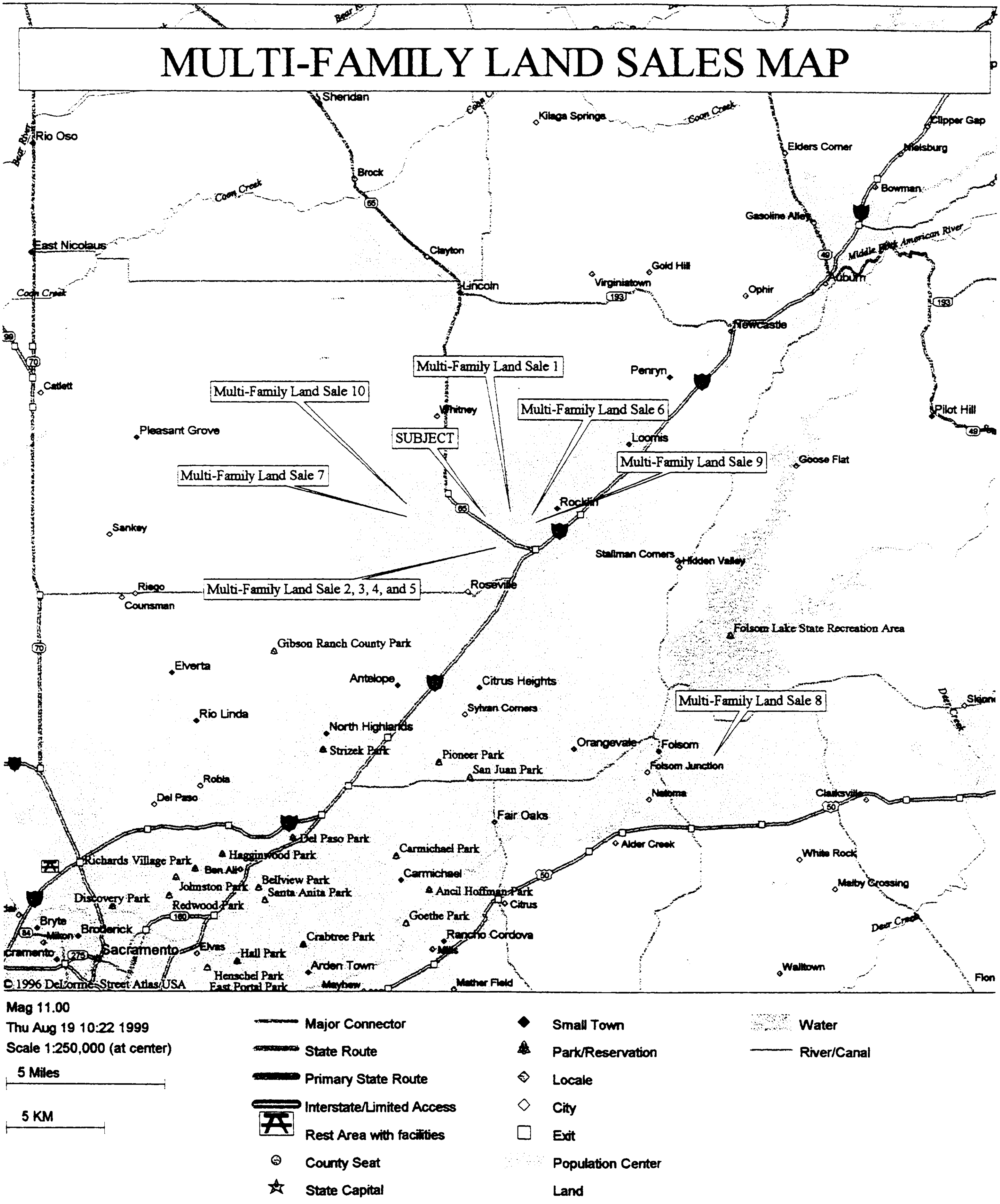
Small Lots/Half Plexes.

Two of the comparables, P-6 and P-7 included the purchase of half-plex lots. The value attributed to each of the purchase, as estimated by the Broker, is $10,000 per lot. After adjusting for bonds, we conclude a value of $25,000 per lot on a free and clear basis, and $15,000 per lot subject to special taxes.

These values are applied to all of the properties of these types in the CFD in order to determine their retail values.

Multifamily Land. The locations of multifamily comparable land sales are shown on a map on the next page, and described thereafter.

MULTI-FAMILY LAND SALES MAP



No.	Location Seller/Buyer	Closing Date	Acres	Units	Total Price	Price Per Unit	Annual Assess.	PV of Assess/ Unit	Adjusted Price/Unit	Comments
1	Parcel 20 B Sunset West SEC future Lonetree & Blue Oaks Blvds., Sunset West Rocklin John Rynart/Demmon Partners	Escrow	22.00	300	$2,700,000	$9,000	-	$3,000	$12,000	Purchase price based on 300 units. Buyer hopes to obtain approval of 354 units.
2	Parcel 20A Gibson Drive north of Roseville Pkwy., Highland Reserve, Roseville, Portion of 363-0100-001 Richland Communities/Fairfield Development	May-99	21.80	400	$2,200,000	$5,500	-	$3,993	$9,493	Part of two-phase project. See Comp. No. 3. Well-located near the Galleria Mall, which is under construction.
3	Parcel 20 B Gibson Dr., north of Roseville Pkwy., Highland Reserve Roseville, Portion of 363-010-001 Richland Communities/Fairfield Development	Escrow Sep-99	12.63	202	$1,515,000	$7,500	-	$4,000	$11,500	Second phase of the Fairfield project. Well-located near the Galleria Mall, which is under construction.
4	Parcel 42B Gibson Dr., north of Roseville Pkwy., Highland Reserve Roseville, 363-010-021 Richland Communities/Bright Development	Escrow Aug-99	15.00	300	$2,250,000	$7,500	-	$4,000	$11,500	Well located near the Galleria Mall, which is under construction.
5	Parcel 21 B Gibson Dr., north of Roseville Pkwy., Highland Reserve Roseville; 363-010-022 Richland Communities/Pacific Gulf Properties	Escrow Aug-99	8.66	149	$1,117,500	$7,500	-	$4,000	$11,500	Well-located near the Galleria Mall, which is under construction.

No.	Location Seller/Buyer	Closing Date	Acres	Units	Total Price	Price Per Unit	Annual Assess.	PV of Assess/ Unit	Adjusted Price/Unit	Comments
6	Stanford Heights, W. side of Sunset Blvd., south of Park Dr., Sanford Ranch Rocklin; 017-350-003 Stanford Ranch/Randall Realty	Dec-98	10.54	174	$1,000,000	$5,747	$565	$4,836	$10,583	Stanford Heights has been approved for construction.
7	NWC Blue Oaks and Woodcreek Blvd., Diamond Creek Roseville; portion of 017-112-036 Diamond Creek Partners/Interland	Oct-98	10.00	165	$1,605,000	$9,727	$68	$725	$10,452	Buyer had sale optioned for approximately one year; paid $100,000 per month during option period.
8	Pinnacle at Blue Ravine Blue Ravine at Flower, Willow Creek Estates Folsom; 071-0040-107 Shasta Real Estate/BRE Properties	Jun-98	13.40	260	$2,984,000	$11,477 $2,000 $13,477	-	$373	$11,850 $2,000 $13,850	Project was recently completed.
9	Villas Serena Park Dr., opposite of Twin Oaks Park, Stanford Ranch, Rocklin; portion of 017-350-013 Stanford Ranch/Stamas Corporation	May-98	14.75	236	$1,227,000	$5,199	$565	$4,836	$10,035	Senior apartment community.
10	Bridges at Woodcreek Oaks NWC Blue Oaks & Foothills Blvd., Woodcreek Oaks, Roseville; 477-060-003 Bridges at Woodcreek Oaks LLc	May-98	13.80	185	$1,035,000	$5,595	$262	$3,098	$8,693	Acquired based on 72 SFR lots. Buyer revised entitlements for the property to MFR; property was in escrow for over one year.

Comparable No. 1 is a pending escrow of a 300-unit apartment site located on the southeast corner of the future Lonetree and Blue Oaks Boulevards intersection in Rocklin. Demmon Partners established the price at $9,000 per unit plus assumed bonds. The price was established approximately six months prior. Close of escrow is contingent upon obtaining the necessary entitlements and approvals for construction of the apartments. If additional units are approved, the price will remain at the established $9,000 per unit for 300 units. The buyer is incurring all costs associated with the entitlements.

Comparable Nos. 2 and 3 are all part of the Fairfield Development. Comparable 2 is a 21.80 acre site sold to Fairfield Development Company. The 17.75 dwelling units per acre density is one of two phases currently under construction. Fairfield Development purchased the property for $5,500 per unit not including bonds. Bonds are reported at $4,000 per unit for an adjusted price of approximately $9,500 per unit. The adjacent 12.63 acres is under contract for purchase at $7,500 per unit, not including bonds. The increase in purchase price can be attributed to the strengthening apartment market. Both these comparables are well located with respect to the Galleria Mall, which is under construction.

Comparable Nos, 4 and 5 are both located in Highland Reserve and are currently under contract for $7,500 per unit, not including bonds. These properties are being purchased by Bright Development and Pacific Gulf Properties respectively. Bonds are estimated at $4,000 per unit for a total adjusted price of $11,500 per unit. Both of these comparables are well-located near the Galleria Mall, which is under construction.

Comparable No. 6 is the December 1998 sale of a 174-unit apartment site located on the west side of Sunset Boulevard, south of Park Drive in Stanford Ranch. Randall Realty paid $5,747 per unit, plus bonds of $4,836 per unit. This indicates a total price of $10,583.

Comparable No. 7 is the October 1998 sale of a 165-unit apartment site located on the northwest corner of Blue Oaks and Woodcreek Boulevards in the Diamond Creek neighborhood within the North Roseville Specific Plan area (referred to as DC-8). The purchase and sale agreement was executed in October 1997. Interland paid $9,727 per unit plus bonds of $725 for an adjusted price per unit of $10,452.

Comparable 8 is the June 1998 sale of a 13.4-acre site located in the Willow Creek Estates South development in Folsom. The 260-unit site sold for $11,477 per unit plus assumption of $373 per unit in bonds. The buyer also incurred significant off-site improvement costs of $2,000 per unit to develop the site. This indicates a total price of $13,850 per unit. The buyer is a REIT out of the Bay Area that owns two other apartment projects in Folsom - The Overlook and Quail Chase. The Pinnacle at Blue Ravine recently released the first units in June of 1999.

Comparable No. 9 is the May 1998 sale of a 236-unit apartment site located on Park Drive, opposite of Twin Oaks Park in the Stanford Ranch area. Stamas Corporation paid $5,199 per unit plus bonds of $4,836 for an adjusted price per unit of $10,035. This property was developed into an age restricted seniors apartment complex.

Comparable No. 10 is the May 1998 sale of a 185-unit apartment site located at the northwest corner of Blue Oaks and Foothills Boulevard in Woodcreek Oaks. Bridges at Woodcreek Oaks (LLC) paid $5,595 per unit plus bonds of $3,098 for an adjusted price per unit of $7,914. The property was originally approved for 72 single family lots. While the property was in escrow for up to one year, the buyer revised the entitlements to medium density allowing the development of 16 dwelling units per acre.

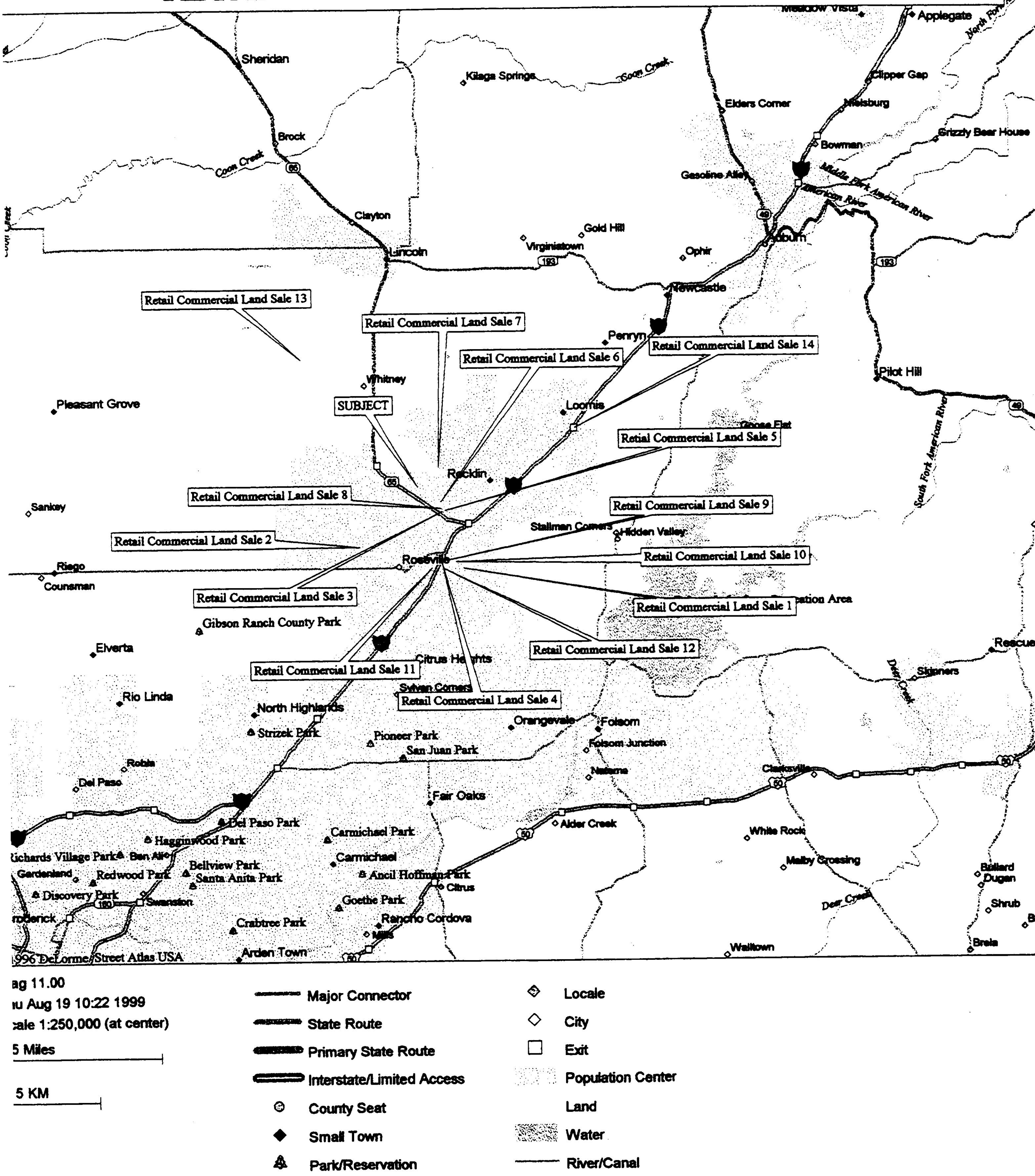
Concluded Multifamily Fee Simple Land Values and Value Subject to Special Taxes.

The comparables indicate a range in value from $8,693 to $13,850 per unit. The most recent escrows provide a much narrower range from $9,493 to $12,000. Given the low vacancies, successful absorption of new projects, a free and clear value of $12,000 per unit is concluded. A value subject to special taxes of $9,000 per unit is concluded for the multifamily component.

This value is applied to all of the properties of this type in the CFD in order to determine their retail values.

Retail Land. The locations of retail comparable land sales are shown on a map on the next page, and described thereafter.

RETAIL COMMERCIAL LAND SALES MAP



RETAIL COMMERCIAL LAND SALE SUMMARY

NO.	LOCATION	SALE DATE	ZONING	SIZE (ACRES)	SALE PRICE/ BONDS	PRICE PER SF
RC-1	South corner of Rocky Ridge Drive and Eureka Road, Roseville APN: 048-010-035 (por)	11/98	C-2	1.29	$700,000 Bonds: $112,000 $812,000	$12.50 Bonds: $2.00 $14.50
RC-2	North of Junction Boulevard, East of Foothills Boulevard, ("Junction Crossroads" Parcel 3), Roseville APN: 475-080-006	9/98	CC	1.20	$480,000 Bonds: $83,635 $563,635	$9.18 Bonds: $1.60 $10.78
RC-3	West side of Five Star Boulevard, North of Hanzlick Drive, Rocklin APN: 016-350-068	9/98	GC	0.48	$305,000	$14.59
RC-4	Northeast of Harding Boulevard and Lead Hill Boulevard, Roseville APN: 015-240-007, 011, 012, 013, & 024 through 027	6/98	BP	5.59	$1,330,000	$5.46
RC-5	North of Junction Boulevard, East of Foothills Boulevard, ("Junction Crossroads" Parcel 2), Roseville APN: 475-080-005	6/98	CC	1.03	$375,000 Bonds: $71,786 $446,786	$8.36 Bonds: $1.60 $9.96
RC-6	Southeast corner of Foothills Boulevard and Main Avenue, Roseville 012-010-043	5/98	C-2	7.30	$2,000,000 Bonds: $17,500 $2,017,500	$6.29 Bonds: $0.05 $6.34
RC-7	Northeast Stanford Ranch Road and Sunset Boulevard, Rocklin APN: 016-450-001	4/98	BP	2.96	$725,000 Bonds: $144,500 $869,500	$5.62 Bonds: $1.12 $6.74
RC-8	West side of Five Star Boulevard, East of Highway 65 Bypass, Rocklin APN: 016-350-077	4/98	PD-C	1.17	$412,000	$8.08
RC-9	394 North Sunrise Avenue, Roseville APN: 048-450-052 (por)	3/98	PD	1.15	$600,000 Bonds: $110,207 $710,207	$11.98 Bonds: $2.20 $14.18
RC-10	SW Eureka Road, west of Rocky Ridge Drive, Roseville APN: 048-450-067 & 081	2/98	C3PD	17.39	$6,000,000 Bonds: $756,738 $6,756,738	$7.92 Bonds: $1.00 $8.92

HISTORICAL RETAIL COMMERCIAL LAND SALES

No.	Location	Date of Sale	Zoning	Size (Acres)	Price	Price Per Sq. Ft.
RC-11 (Hist.)	Harding Boulevard, North of Douglas Boulevard, Roseville 013-212-018	10/97	C2	3.2	$970,000	$6.96
RC-12 (Hist.)	North Sunrise Avenue, North of Lead Hill Boulevard, Roseville 048-450-040	8/97	PCD	3.8	$1,660,000 Bonds: $206,910 $1,866,910	$10.03 Bonds: $1.25 $11.28
RC-13 (Hist.)	Northwest corner of Foothills Boulevard and Pleasant Grove Boulevard, Roseville 477-080-005	5/97	CC	10.60	$900,000 Bonds: $738,775 $1,638,775	$1.95 Bonds: $1.60 $3.55
RC-14 (Hist.)	Northeast quadrant of Interstate 80 and Horseshoe Bar Road, Loomis 043-100-0031, 032, 033, 034	1/96	SC	7.72	$2,275,000	$6.77

Comparable 1. This 1.29-acre parcel is located in the northeast area of Roseville at the south corner of the signalized intersection of Rocky Ridge Drive and Eureka Road. The property sold in November 1998 for $812,000, inclusive of bonds, or $14.50 per square foot. The terms of the transaction included $200,000 down, and short-term seller carry-back financing for $500,000, which reportedly did not affect the sale price. The buyer, Fat Family No. 1 Limited Partnership, intends to construct a restaurant building for owner use as a Fat's Asian Bistro restaurant. The site is above street level and was rough graded at time of sale. The project is being developed by Sierra View Construction. Although the parcel is somewhat smaller than a normal restaurant site, the owner will be allowed to have reciprocal parking with the adjacent office complex, allowing the use of offsite parking to some degree. The broker reported that the sales price was probably $100,000 to $300,000 below what other comparable restaurant sites were selling for near the time of this sale.

The property is encumbered by approximately $112,000 in Mello Roos bonds. The site was on the market for approximately 6 to 9 months, and the extended two year escrow was due to some complicated parcel map changes as well as the time required to change the zoning from a medical use to its present commercial use.

Comparable 2. This 1.2 acre site is located on Foothills Boulevard, north of Baseline Road, and just north of the intersection of Foothills and Junction Boulevards. Access to the site is from the adjacent Junction Crossroads Shopping Center anchored by Alberton's. The buyer, Kindercare Real Estate Corp., purchased the property for the construction of a preschool/daycare. The buyer reported that the entitlements and planning process was somewhat difficult, however, the construction of the facility is near completion and the Kindercare Learning center is expected to be open for enrollment of students in August, 1999. The facility will accommodate approximately 200 children. The sale of this property to Kindercare was in September, 1998 for a sale price of $480,000, or $10.78 per square foot, including bonds of $1.60 per square foot.

The seller, Mirage Development Corp., had originally purchased the property approximately one year prior to the date of this sale for a sale price of $10.25 per square foot, inclusive of bonds. The property had been purchased at that time for the same use --development as a preschool/daycare facility. The reason why the property was re-sold, instead of being developed, was not disclosed by the seller. At the time of the previous sale, the property had not been listed with a brokerage house, but was marketed by Stanford Ranch, and the buyer and seller entered into contract well before the expected completion of development.

Comparable 3. This 0.48 acre site is located on the west side of Five Star Boulevard, east of Stanford Ranch Road. The buyer, K & H, purchased the property for the construction of a 3,800 square foot Goodyear Tires auto repair and tire service facility with six service bays and 18 parking spaces. It represents the purchase of a pad site in a planned unit development. Adjacent uses include a car wash. All off-site improvements were existing at the time of the sale, and the site sold with preliminary approval and construction permits. Although this comparable has a corner location, access to the site is from a driveway to the planned center. The property was listed on the market for approximately six months, and the sale price was $305,000, or $14.59 per square foot. The terms of the sale included 40% cash down, with the remainder financed through Sacramento Commercial Bank.

Comparable 4. This 5.6 acre site is located northeast of the intersection of Harding Boulevard and Lead Hill Boulevard. The buyer, Comanche Investments, Inc., purchased the property for the build-to-suit construction of a 2-story, 51,000 square foot, private business college. The project will be leased under a long-term lease to Heald Business College upon completion of construction which is projected to be July 1999. The property was on the market for over 4 years, and the sale was an all cash transaction for a sale price of $1,330,000, or $5.46 per square foot. The property is not encumbered by any assessment bonds. The topography of the site is level and above street grade, and all offsites were in place at the time of the sale. Access is circuitous via the adjacent office complex's entrances off of both Harding and Lead Hill Boulevards. There is good freeway exposure and freeway access via connector arterials.

Comparable 5. This 1.03 acre site is located on Foothills Boulevard, north of Base Line Road and just north of the intersection of Foothills and Junction Boulevards. It is located adjacent to Comparable 2, on one side, and a Burger King fast food restaurant on the other side. Access to the site is circuitous from the adjacent Junction Crossroads Shopping Center anchored by Alberton's. There is no direct street frontage exposure, however, the site receives substantial traffic from patrons of retailers in the complex. The buyer, Junction Crossroads Partnership, purchased the property for the construction retail strip center. The strip center construction has been completed and the site is now 100% leased to various neighborhood commercial types of tenants, including a bakery, frozen yogurt shop, hair cut salon, and a pizza establishment. The seller, Stanford Ranch I LLC, was originally going to develop the property themselves, but then decided to sell it instead. The broker reported that the property sold almost immediately (the property was put into escrow within just a few days). The development was completed within a short period following close of escrow. Most of the entitlements were already in place and the project required making only a few changes to the architecture and obtaining a building permit prior to starting the construction. The infrastructure, parking lot, and building pad were already in place at the time of sale, and the utilities were stubbed to the site. The property sold for $446,786, or $9.96 per square foot, including bonds of $1.60 per square foot. The broker's opinion is that if the property sold today, it would sell at a price considerably higher, in the range of $12.00 to $15.00 per square foot, net of bonds.

Comparable 6. This 7.3-acre parcel is located in the northwest area of Roseville at the intersection of Foothills Boulevard and Main Avenue. The property sold in May 1998 for $2,017,500, or $6.34 per square foot, including bonds. (The bond assessments for this parcel are relatively negligible, equating to approximately $0.05 per square foot.). As a condition of escrow an approval of a map to subdivide the property into smaller commercial pads had to be approved. The proposed buyer operates a chain of service stations and plans to utilize the corner parcel and sell the remaining parcels to other users. Reportedly Jack In The Box has agreed to buy one of the parcels.

This comparable's size is typical of a community commercial lot. Location is comparable to the subject with respect to the adjacent residential development. The traffic count is very high at this intersection due to the residential development that has occurred to the north and west of the site. Relatively new commercial development is in place at the northwest and southwest corners of the intersection. A Bel-Air and Rite-Aid anchored strip center is located at the northwest corner and a Shell Station is located at the southwest corner, and a McDonalds restaurant is located adjacent to the south side of the Shell Station. Access to Interstate 80 is circuitous from this intersection.

Comparable 7. This 2.96 acre site is located at the eastern corner of the intersection of Stanford Ranch Road and Sunset Boulevard. The buyer, Kobra Properties, purchased the property for the construction of a drug store. All off-site improvements were existing at the time of the sale. Also in place at the time of the sale was the "Stanford Ranch Visitor's Center" structure, an approximate 1,000 square foot building that reportedly cost $198,000 to build, but did not affect the sale price of this comparable. An existing landscape buffer is in place on the subject site at the corner of the intersection. The visitor center portion of the site is improved with curb, gutter, sidewalk and pavement. Some of the street improvements may require restoral prior to development. The remainder of the site is raw land. The buyer plans to relocate the structure to another location at a cost of approximately $39,000, and utilize it for a residential use. The buyer also plans to re-zone the property from its present BP zoning to a C (commercial) zoning. Although the zoning change will be a difficult process, the buyer is an experienced developer and is confident that they will be able to achieve the necessary changes to enable the development of their project. The sale price of $869,500 includes $144,500 in assessment bonds, as well as a $250,000 credit/adjustment which was included as a part of this transaction for the resolution of a previously disputed and separate transaction between the same parties. The north corner of the intersection is fully developed with the Stanford Ranch Village retail center anchored by a Bel-Air supermarket. A Taco Bell fast food restaurant is located in front of the Bel-Air on the north corner.

Comparable 8. This 1.17 acre parcel is located on the west side of Five Star Boulevard, east of the Highway 65 bypass in Rocklin. The buyer, Five Star Fund 65 Phase II LP, purchased the property for the construction of an 11,000 square foot retail building. The utilities were to the curb at the time of the sale.

The zoning is PD-C. The property sold in April 1998 for an all cash sales price of $412,000, or $8.08 per square foot. The property is not encumbered by any assessment bonds. This site, adjacent to an existing, but still new, retail strip center, is now developed and fully leased with typical village square-type tenants, including Pacific Bell Wireless retail store, a pool supply store, a deli, a chiropractor's office, and a piano and organ store. Adjacent uses also include a hotel and a car wash. This site is in close proximity to Wal-mart, and has freeway exposure on Highway 65.

Comparable 9. This 1.15 acre parcel is located at 394 North Sunrise Avenue, at the western corner of the signalized intersection of North Sunrise Avenue and Eureka Road. The buyer, Robert and Shirley Rosenberg, et al., purchased the property for the construction of an 11,066 square foot Krause's Sofa Factory furniture store. All offsites were existing at the time of the sale. The zoning is PD. The property sold in March 1998 for a sales price of $710,207, or $14.18 per square foot, including bonds of $2.20 per square foot. This site has frontage on both Sunrise Avenue and Eureka Road. The adjacent complex is anchored by a Sam's Club and a Lazy Boy furniture store is directly adjacent to this parcel. The site has access from both major arterials. Freeway access to Interstate 80 is nearby via Sunrise Avenue. The Roseville Auto Mall is also in close proximity to this site.

Comparable 10. This 17.397 acre site is located on the southwest side of Eureka Road, west of Rocky Ridge Drive, Roseville. The buyer, Car Max, purchased the property for the construction of an auto dealership facility. Car Max is affiliated with Circuit City electronics retail chain. The property was listed on the market for approximately one year. All off-site improvements were existing at the time of the sale. With the exception of grading work to be completed, the site was ready for building.

This comparable has frontage on two major arterials, Eureka and Rocky Ridge Road. It is located just outside the successful Roseville Automall. Its size is larger than most anticipated uses for neighborhood commercial. It is rectangular in shape, and fronts three streets having no freeway exposure. The southeast corner of the Eureka/Rocky Ridge intersection is developed with a Chevron Gas Station and a small adjacent strip center. Century Theater Complex development is located just south on the east side of Eureka Road. Commercial and retail development is planned for the southwest corner of the intersection. No extraordinary site preparation was required for this comparable site.

The table on the following page summarizes the comparable's attributes:

QUALITATIVE ADJUSTMENTS TO THE RETAIL LAND COMPARABLES

Item	Subject	RC-1	RC-2	RC-3	RC-4	RC-5	RC-6	RC-7	RC-8	RC-9	RC-10
Offsites	None	All	None	All	All	All	All	All	All	All	All
Size	1-2 Ac 3-4 Ac	1.29	1.20	0.48	5.59	1.03	7.30	2.96	1.17	1.15	17.39
Shape	***	Rectangle	Rectangle	Rectangle	Irregular	Mostly Rectangle	Rectangle	Rectangle	Irregular	Rectangle	Rectangle
Frontage	Freeway	2-Streets	None	1-Street	Freeway	None	2-Streets	2-Streets	1-Street Freeway	2-Streets	2-Sides
Topography	Level	Level	Level	Level	Above street grade Level	Level	Level	Level	Level	Level	Level
Location	Superior/ Average	Superior	Similar	Inferior	Similar	Similar	Inferior	Similar	Similar	Similar	Similar
Adjacent Uses	***	Development Retail, Office, Auto Sales	Shopping Center	Car Wash, Retail	Office	Shopping Center	Residential	Residential & Raw Land	Retail Hotel	Retail	Auto Sales
Use	Retail	Restaurant	Pre-School	Tire Sales/Auto Repair	Business School	Retail	Retail & Fast Food	Drug Store	Retail	Furniture Store	Auto Sales
Exposure (Freeway)	Yes	None	None	None	Yes	None	None	None	None	None	None
$/SF	***	$14.50	$10.78	$14.59	$5.46	$9.96	$6.34	$6.74	$8.08	$14.18	$8.92

Summary of Base Value Indicator for Retail Commercial Land. Seven of the ten comparables are located in the Roseville market. Retail land sales have become prevalent in this area due to the strong residential growth Roseville continues to enjoy. Comparables RC2, RC6, RC7 and RC8 are used to establish the value of the Village Square Commercial land use category, and Comparables RC 1, RC 3 and RC 9 category establish the high end of the range and are more analogous to established small lot community commercial land uses.

Neighborhood Village Square Commercial (VC): The village square is intended to serve residential areas providing for convenient retail and personal service facilities for the community's residences. Tenants may include dry cleaners, bakeries, a barber/beauty salon, a florist, a coffee shop, a newsstand, photocopy service, auto service, bike services, liquor store, etc. Similar, typical traditional zoning designations within the City and County would include C-1 and C-2. The retail price per square foot for the subject base value is concluded to be $10.00 per square foot or $435,600 per acre.

Community Commercial (CC): This primarily auto-dependent use is located at interchanges of the freeway system and at high traffic primary arterials, and it provides services for highway users, as well as the community. Service stations, restaurants, shopping centers, retail and service shops and services are appropriate uses for these areas. Similar, typical traditional zoning designations within the City and County would include HC, GC & CC. The comparables indicate a range in value from $5.46 per square foot to $14.59 per square foot. The best comparables for the subject are RC8 ($8.08 per square foot), RC 1 ($14.50 per square foot), and RC 3 ($14.59 per square foot). After considering the overall availability of land throughout the area, the subject's proximity to the State Highway 65 bypass, the proposed bond structure, and the comparable data, we conclude that the retail price per square foot for the subject base value is $12 per square foot for community commercial land, or $522,720 per acre. This value is applied to all of the properties of this type in the CFD in order to determine their free and clear retail values.

The following table summarizes the base retail land values:

Use	Price per SF, Free and Clear Value	Price Per SF, Subject to Special Tax
Neighborhood Commercial	$10.00	$8.25
Community Commercial	$12.00	$10.32

This value is applied to all of the properties of this type in the CFD in order to determine their retail values.

VII. FINAL VALUATION ANALYSES AND VALUE SUMMARY

Discounted Values of Land Yet to be Absorbed. In the retail value determination section of this report we established "base" retail value estimates for the various types of properties contained within the CFD. We then considered each of the already absorbed properties in relation to the base value established for a typical property of the respective class, and adjusted it up or down, based on its individual attributes. The values assigned to all of these properties are shown in summary form in the addenda. The base retail values that we established for all of the property types are displayed again in the following table.

RESIDENTIAL BASE VALUES		
Lot Size	**Unencumbered, Free and Clear Value**	**Value, Subject to Special Taxes**
6,000 SF	$35,000	$25,000
6,500 SF	$37,000	$29,000
6,800 SF	$45,000	$31,400
6,900 SF	$47,000	$32,200
7,200 SF	$48,000	$33,000
10,000 SF	$52,000	$45,000
Medium Density Residential	$25,000	$15,000
High Density Residential	$12,000	$9,000
COMMERCIAL BASE VALUES		
Neighborhood Commercial	$10.00/SF	$8.25/SF
Community Commercial	$12.00/SF	$10.32/SF

As discussed earlier in the report, there is land within the CFD that is not currently being developed, and will only be developed over future time. Therefore, because of holding costs, time value of money, etc., its current value is less than the value it would have if it were in immediate demand. Since we have utilized sales comparison approach techniques to determine retail values (i.e., value as if it were immediately developable and in immediate demand) of the various types of land, a bulk value discounting process becomes appropriate in order to determine present value[1] for these properties.

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[1] A bulk value analysis provides an indication of the value of a group of properties to a prospective single buyer who would purchase them all at once, and then be prepared to develop them, and also to absorb all necessary holding costs and marketing expenses while selling land parcels as demand developed, over a future time period.

Identification of Land to be Absorbed in the Future. We previously described all of the land parcels that are the subject of this appraisal. We also commented on why a number of these already are considered to be absorbed, while others will not be developed until later. Residential properties that are not being immediately developed total approximately 304 acres. Commercial and industrial properties scheduled for future development total approximately 169 acres. The properties so identified are summarized in the Addenda.

The Cash Flow Projecting Process. By applying the absorption pattern to retail property values, we can project future sales revenues that will be generated by this future absorption. After projecting future gross income, offsetting future costs also must be taken into account. These include marketing and other holding costs.

Marketing costs are projected to approximate 5% of gross sales revenues. Taxes are estimated to approximate 1.1% of property remaining in inventory, plus average maximum special tax amounts as scheduled in the applicable bond issues. Administration, insurance, and other miscellaneous holding costs are projected to be about $200 per year per acre remaining in inventory.

All of these periodic costs are subtracted from sales proceeds that occur in the same time period in order to determine an estimate of cash flow for that period. Since retail property prices are not projected to increase in this real rate of return analysis, neither are expenses projected to increase. After all of these out-year sales proceeds and expenses are projected and net cash flows determined, these annual cash flows then can be discounted to a present value.

The Discount Rate, and the Discounting Process. Future annual cash flows are discounted at a chosen discount rate (i.e., an internal rate of return) in order to establish a value indication. The discounting process is a straight-forward mathematical process. Choosing the proper discount rate, however, is a much more obtuse process. Ideally, it is chosen based on market information.

According to *Appraisal Standards for Land Secured Financings*[2] the discount rate components include (1) a safe rate of return for the use of capital (akin to investing in government securities, for example, and such a rate would be the 5+%, 30 year T-bond rate minus 2%+/- inflation, or 3+% today), (2) an inflation premium to offset expected inflation, and (3) a risk premium to provide a profit to the investor commensurate with the risk being undertaken. (Note: the *Appraisal Standards* has not been quoted precisely here, and the appraisers have restated some of the component descriptions to make them more appropriate for the appraisal assignment.) Some appraisers conclude that the investor's profit is not included in (3), above, and that it must be expressed as a separate line item in the cash flow analysis. Based on our discussions with investors who even try to employ cash flow analyses, we find that most of them include the profit expectation in the discount rate.

In this appraisal, future retail prices are expressed in 1999-dollar terms (no inflation is projected), and therefore the discount rate should not include an inflation premium component.

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[2] CDAC 94-6, California Debt and Investment Advisory Commission.

The risks that the hypothetical bulk buyer/investor is assuming include the risk inherent is securing the additional government approvals needed prior to development of some of the properties, some project infrastructure design risk, and the risk relating to the pace of future demand for the product to be built (marketing risk). In our opinion, the discount rate should not include building construction risk, which would be assumed later, and possibly by different parties.

In order to establish the appropriate discount rate, we conducted the following research:

1. We interviewed staff personnel connected with a housing development investment program and an un-entitled property investment program of a major public pension fund. They invest funds along with an investment advisor. We found that their minimum real rate of return expectation for a standard housing development, where they purchase finished lots and build homes for sale, is 8%. They have experienced higher rates of return than this on their actual investments. For the un-entitled land program, where they buy property within a general plan area, but at the tentative map stage, or slightly before, their real rate of return expectation is 11%. They expect to liquidate these investments prior to the home building phase.

2. A local investment advisor to the non-profit foundations and public and private pension funds invests in home building projects here and in Nevada. Generally, his accounts invest at the paper lot stage, provide all development funds necessary to achieve a final map, and all development funds to build out the lots. They do not provide the home building financing, but they stay invested in the project, on a subordinated basis, until the houses are sold. Therefore, they have development risk, financing risk, and marketing risk. They expect an 18% to 24% nominal internal rate of return. For commercial development projects, which they have not undertaken, they would expect a lesser return. We consider this type of investing, which is debt and not equity and requires construction funding and subordination, to be a higher risk than holding entitled land until demand for it warrants its development.

3. The local Senior Vice President of a national brokerage firm, as well as developers active in the greater Sacramento area, were interviewed as to the their expectation for rate of return on less than fully entitled land. They reported that their investment analyses typically do not include internal rate of return processing, and that they rely more on the sales comparison approach.

4. A major local and Southern California developer opined that even a 12% return today on a relatively passive, longer term hold investment would be quite attractive today.

5. The well known Korpacz[3] report on real estate returns reports that, nationwide, unleveraged land investment return (discount rate) expectations range from 10% to 25%, with a median of 15%. In their publication they reported that recently, one bidder on a large California residential land tract who based his land price on a 21% *leveraged equity return* (unleveraged return would have been lower) lost the bid. Korpacz states that new funds devoting several hundred million dollars

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[3] Published by Price Waterhouse LLP, year-end 1998.

to land investment are being formed, and that their unleveraged hurdle rate on new development typically is 15%. We would note that none of the returns specified here are inflation adjusted; i.e., real rates of return are lower.

After reviewing all market data available to us we conclude that an investor in CFD 1 land, given its desirable location, partial to full entitlements, general plan conformance, and other features, would expect an unleveraged, real rate of return of approximately 12% to 15%, and we have chosen to discount at the more conservative **15%** rate for bulk sale valuation purposes. A 15% unleveraged rate, less the previously calculated 3+% safe rate, indicates a risk and profit component of 12%+/-, unleveraged. Again, this is a real rate of return.

Sensitivity Analyses. We have conducted two sets of sensitivity analyses. The first involved varying the discount rate. For both the residential and non-residential analyses, the base discount rate of 15% was changed to an aggressive 12% rate, and then to a more conservative 18% rate. The results are shown in the following table:

Discount Rate	Value Change (Compared to base case)
Residential:	
12%	1.05 times
15%	base case
18%	0.96 times
Non-Residential:	
12%	1.04 times
15%	base case
18%	0.96 times

Since all of the project parcels are projected to absorb completely over the next five years, the discounted value is not especially sensitive to discount rate changes.

The second sensitivity analysis involved changing the rate of absorption. In effect, the absorption rate curve was moved up and down (i.e., the rate of absorption was increased or decreased) incrementally, with compensating adjustments made in the last active absorption period. The results of those tests are shown in the following table:

Absorption Rate Increase/Decrease	Value Change (Compared to the base case)
Residential:	
25%	1.03 times
0%	base case
-25%	0.95 times
Non-Residential:	
25%	1.02 times
0%	base case
-25%	0.93 times

Again, given the short base absorption schedule, the value is not overly sensitive to absorption rate changes.

Contained in the Addenda are the discounted cash flow analyses relating to "free and clear" and "subject to special tax" analyses.

Value. The appraisers have concluded that the bulk value of the properties contained within the Highland Reserve North CFD No. 1, inclusive of any and all bonded indebtedness as presented in the discounted cash flow analysis, as of August, 1999, would be:

**ONE HUNDRED FOUR MILLION, THREE HUNDRED SIXTY THOUSAND DOLLARS
($104,360,000)**

This value can also be called the fee simple, or free and clear, or the value unencumbered by mortgages or other liens.

The value subject to special tax and assessment liens is the cash price that would be paid for a property or group of properties recognizing that special tax payments have to be made. The bulk value of the properties contained within the Highland Reserve North CFD No. 1, subject to anticipated special tax and assessment liens, as presented in the discounted cash flow analysis as of August, 1999, is:

**EIGHTY THREE MILLION, ONE HUNDRED FORTY THOUSAND DOLLARS
($83,140,000)**

Again, this value is subject to all Special and General Limiting Conditions included in report.

This concludes the report.

ADDENDA

ADDENDUM A

REGIONAL ANALYSIS

GREATER SACRAMENTO REGIONAL DATA STUDY, AND ROSEVILLE ABSORPTION STUDY

The Sacramento-Yolo Consolidated Metropolitan Statistical Area (CMSA), consisting of El Dorado, Placer, Sacramento, and Yolo counties[1], is located at the confluence of two major rivers, the Sacramento and the American, at the northern end of California's great inland Sacramento-San Joaquin Valley, often called the Central Valley. The community's area of influence extends from the Coastal Mountains to the west, across the Sacramento Valley, and up through the foothills of the Sierra Nevada Mountains to the east. The area is strategically located adjacent to productive agricultural areas on the north and south, recreational mountain areas on the east, and not far from the metropolitan San Francisco Bay Area 85 miles to the southwest. Also, it is centrally located with respect to the Mexican and Canadian borders. The largest city in the region, Sacramento, is the state capital and the cultural, communications, financial, employment, and transportation hub of the Sacramento Valley and adjacent mountain county regions.

Past Growth and Trends

The local presence of the seat of state government and its stable employment base notwithstanding, Sacramento has experienced cyclical growth in the past. During the mid and late 1980s, a robust time for Sacramento, there was a substantial shift in population growth and economic development away from the coastal areas of California to the inland valleys, and to cities like Sacramento. This trend was attributed in part to the following factors:

> Businesses were attracted to the lower land costs and abundant, low-cost office space found in inland valley cities and their suburbs.
>
> Workers from the coastal areas were looking to the inland valleys, and especially the Central Valley, for affordable housing and moderate commutes.
>
> The inland valley metropolitan areas had less known pollution and significantly less vehicle traffic.
>
> The 1989 Loma Prieta earthquake, which caused widespread damage in the San Francisco area, prompted many companies to consider locating at least some of their facilities to lower earthquake risk areas, and nearby Sacramento was in that category. First Nationwide Bank (later taken over by another bank) and Franklin Funds, a mutual fund management company, relocated most of their "back office" operations from the San Francisco area to Sacramento. This trend was reinforced as a result of the 1993 Los Angeles earthquake, when Packard Bell moved its assembly operations to Sacramento from its Los Angeles area location.

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[1] Yolo County, including the communities of West Sacramento and Davis, often is not included in statistical summaries compiled by California state agencies, even though it is definitely part of the metropolitan area.

Sacramento possessed excellent multi-modal transportation facilities. The area is served by U.S. Highway 50 and Interstate 80 - east-west highways, State Highway 99 and Interstate 5 - north-south highways; the Port of Sacramento; freight and passenger rail systems; and the Sacramento Metropolitan and Executive airports.

The size of state government increased greatly, and Sacramento was the greatest single city benefactor of that growth, given its role as state capital.

The work force was well educated and wages were low, especially for office workers, compared to Los Angeles and San Francisco.

Several new roadways were constructed to serve the area, such as the Highway 65 Bypass in the Roseville area that opened up South Placer County industrial areas to major corporations like Hewlett-Packard and NEC.

Many of these same attractive factors are still true today, and the area is again experiencing strong economic growth as business operations and people leave the expensive San Francisco/Silicon Valley area in search of cheaper housing and less crowded conditions. The local recession of the early 1990s is over, and the Sacramento is again enjoying the growth portion of what appears to be about a 10-year economic cycle. Additional influences are described in the paragraphs that follow.

Transportation Facilities

As previously mentioned, the Sacramento Metropolitan Area has an excellent transportation network, making it a desirable area for distribution facilities; these transportation attributes contributed to Apple Computer's 1992 decision to move a major portion of their distribution activities to a new facility in the Laguna area of Sacramento, where they had planned to employ 1,750 workers. In 1994 they added a 200,000 square foot, $80 million facility at this location, but Apple's fortunes languished, and then improved after release of their latest computer. Recently, however, they announced that they are transferring some of their local operations to South Korea.

There are four major highways converging near Sacramento's Central Business District (CBD): Interstate 80 and U.S. Highway 50, which are east-west freeways, and Interstate 5 and State Highway 99, which run in a north-south direction. These are all major trucking routes and they offer access to all areas of the West Coast, as well as to major metropolitan areas throughout the United States.

Sacramento is crisscrossed by the north/south and east/west main lines of the Union Pacific Railroad. As a result of the merger of Union Pacific and Southern Pacific in September 1996, Sacramento now has access to Burlington Northern Santa Fe Railway, giving the city service by both major Western railroads. Union Pacific's major freight classification facility for northern California, Nevada, and Oregon will remain in Roseville, California, and has undergone a $140,000,000 upgrade to handle an additional volume of traffic. Intermodal traffic will continue to be handled at Roseville and Lathrop, California for the Sacramento region. Amtrak currently runs three round trip trains a day between Sacramento and the San Francisco Bay area.

There are three airports serving the area. The primary facility, Sacramento International Airport, provides air freight and passenger service to most American cities. International Airport is currently serving about 700,000 passengers per month, up from an average of about 300,000 per month in late 1990. A new, 12 gate terminal opened in late 1998, and a five story, $55 million parking garage is planned for construction about the year 2000. Currently there is only one bus line (Yolo bus) and no public ground transportation systems serving the airport, and parking is difficult.

Airport officials previously envisioned Sacramento International Airport as a cargo hub, with freight activity expected to increase significantly. However, the closed Mather Air Force Base, a 1,791-acre facility, is emerging as the major cargo airport. A third facility, Sacramento Executive Airport, handles primarily business and private aircraft.

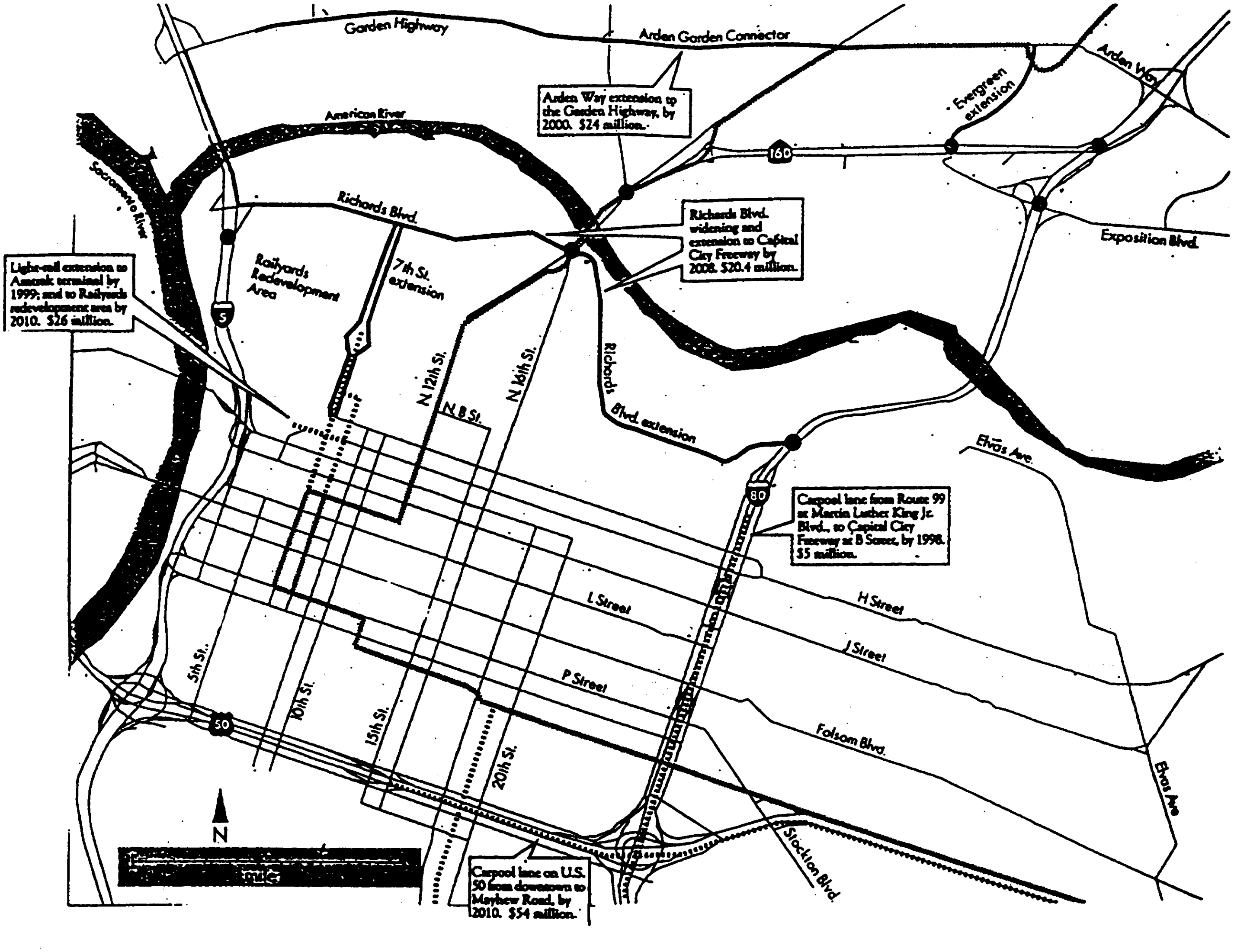
The Port of Sacramento is a deep-water shipping facility in Yolo County located at the western edges of the City of Sacramento. Its reputation as an efficient bulk cargo seaport is further enhanced by its designation as a foreign trade zone. Historically there have been significant exports of farm crops and forest products from this port. During the fiscal year that ended in June 1997, the port handled 1.1 million short tons of cargo. Over the last 10 years, however, total shipments and revenues have been declining, and the future viability of the port operation is uncertain. The port has 310,000 square feet of covered storage for cargo operations.

Local bus service is provided by Regional Transit. In addition, an 18.3-mile light rail system interconnects with the existing Regional Transit bus service. The light rail system connects Sacramento's Central Business District with established and heavily built-up residential suburbs to the northeast and east, using tracks located adjacent to the Interstate Business 80 and U.S. Highway 50 corridors. A southern leg from the central city to Meadowview Road is planned for the system, with construction expected to begin in 1999, with completion by 2002. A northern leg, with service, ultimately, to the airport is planned, but there is no timetable for it at present.

Inter-city bus transportation is provided by Greyhound, with terminals in Sacramento, suburban Sacramento, and Roseville. The Sacramento terminal is Greyhound's second busiest on the west coast, operating more than 100 scheduled runs a day and transporting about 70,000 riders per month.

Future Transportation Needs. The region's 50% population growth that is projected between now and 2015 will lead to significantly increased traffic congestion. To deal with this problem, a 20-year Metropolitan Transportation Plan was adopted by the Sacramento Area Council of Governments (SACOG) in 1996. The plan contains proposals for regional transportation strategies and also describes local improvements that are planned by the individual cities and counties of the region, the implementation of which could at least partially alleviate expected problems. Unfortunately, many of these projects are unfunded, to a total of about $1.9 billion. Area growth and development might proceed at a slower pace if these projects are not funded. Exhibits on the next two pages show the nature and location of many of the planned transportation improvements.

CENTRAL SACRAMENTO TRANSPORTATION IMPROVEMENTS



Arden Way extension to the Garden Highway, by 2000. $24 million.

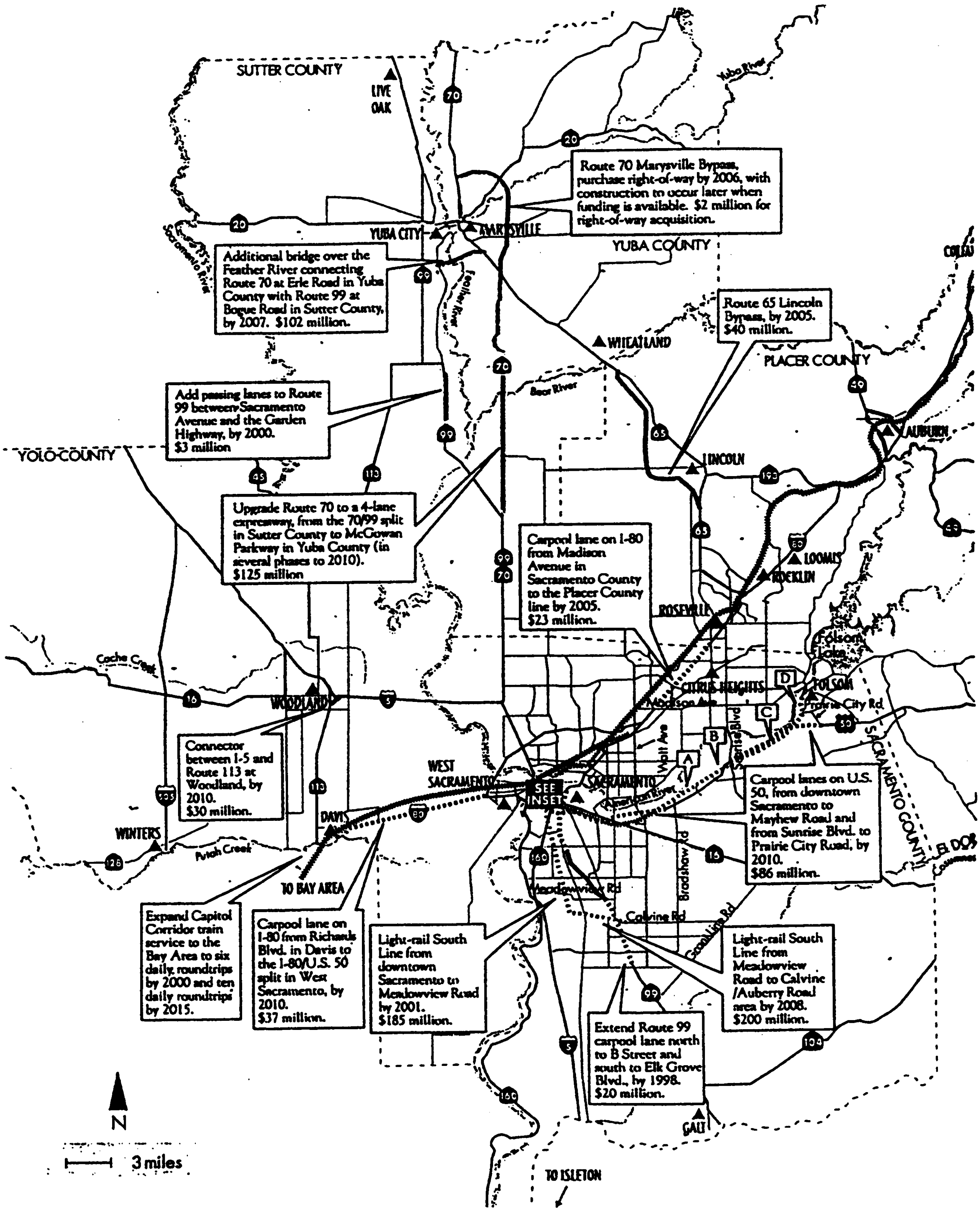
Light-rail extension to Amtrak terminal by 1999; and to Railyards redevelopment area by 2010. $26 million.

Richards Blvd. widening and extension to Capital City Freeway by 2008. $20.4 million.

Carpool lane from Route 99 at Martin Luther King Jr. Blvd., to Capital City Freeway at B Street, by 1998. $5 million.

Carpool lane on U.S. 50 from downtown to Mayhew Road, by 2010. $54 million.

METROPOLITAN AREA PUBLIC TRANSIT AND HIGHWAY EXPANSION



Route 70 Marysville Bypass, purchase right-of-way by 2006, with construction to occur later when funding is available. $2 million for right-of-way acquisition.

Additional bridge over the Feather River connecting Route 70 at Erle Road in Yuba County with Route 99 at Bogue Road in Sutter County, by 2007. $102 million.

Route 65 Lincoln Bypass, by 2005. $40 million.

Add passing lanes to Route 99 between Sacramento Avenue and the Garden Highway, by 2000. $3 million

Upgrade Route 70 to a 4-lane expressway, from the 70/99 split in Sutter County to McGowan Parkway in Yuba County (in several phases to 2010). $125 million

Carpool lane on I-80 from Madison Avenue in Sacramento County to the Placer County line by 2005. $23 million.

Connector between I-5 and Route 113 at Woodland, by 2010. $30 million.

Carpool lanes on U.S. 50, from downtown Sacramento to Mayhew Road and from Sunrise Blvd. to Prairie City Road, by 2010. $86 million.

Expand Capitol Corridor train service to the Bay Area to six daily roundtrips by 2000 and ten daily roundtrips by 2015.

Carpool lane on I-80 from Richards Blvd. in Davis to the I-80/U.S. 50 split in West Sacramento, by 2010. $37 million.

Light-rail South Line from downtown Sacramento to Meadowview Road by 2001. $185 million.

Light-rail South Line from Meadowview Road to Calvine /Auberry Road area by 2008. $200 million.

Extend Route 99 carpool lane north to B Street and south to Elk Grove Blvd., by 1998. $20 million.

Educational Facilities

Two major public universities are located in the area: the University of California at Davis, the third largest campus in the University of California system (and largest in terms of physical campus area), with 24,000 students; and California State University, Sacramento, with more than 23,000 students. Both of these institutions offer undergraduate and graduate degree programs. U.C. Davis expects to add 3,000 students over the next decade, which will make it size equivalent to the present size of U.C. Berkeley. Private universities include the University of Pacific McGeorge School of Law, the 18th largest accredited law school in the country. Several other institutions, such as Golden Gate University, National University, and the University of Southern California have various undergraduate and graduate programs aimed at working students. General education and technical training are available at four community colleges serving the area.

The primary and secondary school systems within the city of Sacramento have been suffering from significant budget constraints. Suburban schools, however, especially in the Roseville and Rocklin areas, have new facilities paid for with Mello Roos bond proceeds, developer fees, etc. There will be a similar School Facilities Fee levied in the newly developing North Natomas area. Most of the local school districts are considered to be delivering an adequate level of education, but SAT scores for the region, for instance, are typically no more than average, compared to the state as a whole.

Retail Facilities

The Sacramento area has numerous shopping facilities, and compared to national standards, probably has too much retail space (25 square feet per person, vs. the 19 square feet per person national average). During the late 1980s and early 1990s, more than eighty shopping centers were constructed. Demand for space from regional and national chain tenants was strong due to the area's rapid growth. Wal-Mart entered the market and now has four stores in the area, with one more announced. The area is served by eight regional shopping centers, but construction of at least two regional malls proposed in the late 1980s has been delayed for years because of unclear economic conditions, loss of interest on the part of prospective major tenants, or lack of financing. The largest of the existing centers, Sunrise Mall, contains 1.19 million square feet. The second largest, Arden Fair Mall, contains 1.1 million square feet of space, and includes the region's first Nordstrom department store, as well as J. C. Penney, Sears and Macy's. A downtown mall, called Downtown Plaza, was renovated and enlarged in the early 1990s and is now almost as large as Arden Fair. All major retailers are represented in the area. And the two prospective mall plans are showing signs of life, with JMB Properties announcing back in 1994 that they had chosen a Roseville site for a mall with four anchor tenants to serve Placer County. This mall is now in the early stage of construction. Similarly, Forest City Development has announced three anchors for its planned Broadstone Mall in Folsom. That center is expected to be under construction before the turn of the century. Also, a larger power center, Natomas Marketplace (60 acres, 600,000 square feet), located at Truxel and I-80, was completed in 1998.

Local Buying Power

The average household effective buying income (EBI) for several California metropolitan areas is shown in the chart below. The Sacramento area average EBI is below the average for the State of California as a whole, and is significantly below that of some of the major metropolitan areas. We suspect that new retail developments in the affluent portions of the Sacramento area may be successful, but the modest EBI level suggests that there are many people with very low EBIs, and new retail trade attempts in the modest neighborhoods are less likely to meet with success.

EFFECTIVE BUYING INCOME, SOME CALIFORNIA METRO AREAS
Current and Projected

Metro Area	Average Household EBI, 1996	Average Household EBI, 2000 or 2001
San Jose	$60,218	$68,355
San Francisco	55,008	62,464
Orange County	51,135	58,045
Oakland	50,072	56,938
All California	44,430	50,408
Los Angeles/Long Beach	43,494	49,371
Vallejo-Fairfield-Napa	44,626	50,680
Sacramento	41,944	47,718
Stockton	38,684	43,911
Modesto	36,831	41,808
Fresno	33,983	38,570
Yuba City	31,372	35,910
Chico-Paradise	30,310	34,406

Source: Sales and Marketing Management, 1997 Survey of Buying Power

Sacramento's median household effective buying income compared to some other U.S. cities is shown in the following chart. Sacramento is about at the national median, but trails several other regional cities.

MEDIAN HOUSEHOLD EBI (1997 Survey of Buying Power)			Compared to Sacramento's (times)
Metro	($)	Rank	
San Jose	52,025	3	1.49
Seattle - Bellevue - Everett	43,934	14	1.26
Orange County	42,747	20	1.22
San Francisco	42,905	18	1.23
Oakland	42,401	21	1.21
Santa Cruz - Watsonville	41,617	24	1.19
Minneapolis - St. Paul	40,696	30	1.16
Vallejo - Fairfield - Napa	39,127	31	1.12
Madison	39,897	33	1.14
Reno	39,649	34	1.13
Santa Rosa	37,182	63	1.06
Median, Above Median Areas	35,608		1.02
Salt Lake City - Ogden	35,646	85	1.02
Portland - Vancouver	35,325	91	1.01
San Diego	34,445	109	.98
Sacramento	**35,007**	**98**	**1.00**
Austin - San Marcos	34,444	110	0.98
Los Angeles - Long Beach	33,272	135	0.95
U. S. Median	33,482		0.96
Stockton - Lodi	31,329	177	0.89
Phoenix - Mesa	31,340	176	0.90
Yolo	30,112	202	0.86
Fresno	26,136	290	0.75
Chico - Paradise	23,167	316	0.66

Recreational Amenities

The greater Sacramento area has many natural recreational opportunities, and a moderate year-round climate. Locally, the American and Sacramento rivers, the Sacramento River delta, and Folsom Lake offer a variety of water-oriented activities. The extended community has 22 golf courses and a 50-mile bicycle/pedestrian/equestrian trail along the American River. The Sierra Nevada Mountains to the east offer excellent skiing, and adjacent Lake Tahoe offers additional aquatic activities. The well-known wine-producing valleys of Napa and Sonoma are about 90 minutes from Sacramento, and the San Francisco Bay area can be reached easily by Interstate 80.

Sports Attractions

The best known local professional sports team is the Sacramento Kings of the National Basketball Association. The Kings play at the 17,000-seat Arco Arena, in North Natomas. Other professional teams have experimented in the area, with generally unsatisfactory results. A local group purchased a Canadian Football League franchise that played its 1993 and 1994 seasons in Sacramento. However, the owners suffered major losses and the team has since been disbanded. A new professional women's basketball team, the Sacramento Monarchs, made its debut at Arco Arena during the summer, 1997. Their games were well attended in 1997, but attendance was down in 1998.

A new baseball park to accommodate a Triple A team has been proposed for a West Sacramento site, located across the Sacramento River from Old Sacramento. A bond issue to finance it has been given preliminary approval by Sacramento County, Yolo County, and the City of West Sacramento.

At the amateur level, both California State University, Sacramento, and the University of California at Davis have Division I or Division II teams in most major, and some less well known, sports.

Cultural Amenities; Historical Attractions

Sacramento has offerings in the theater, music, and fine arts that are typical for a mid-sized city. Also, there is ready access to all such attractions in San Francisco. A new state-of-the-art library located at the downtown plaza experiences high usage and is open daily except Monday.

The State Capitol, the restored Old Sacramento district along the Sacramento River, the Railroad Museum, and Sutter's Fort are major attractions for both local residents and tourists. The annual international jazz festival, held in May in and around Old Sacramento, is one of the largest such festivals, and draws performing groups from around the world.

Population Characteristics

The latest revised U.S. Census population estimate (as of July 1, 1996) for what the Office of Management and Budget (OMB) of the federal government is now calling the Sacramento-Yolo CMSA is 1,632,133, a 10.2% increase since the 1990 census. This population total is:

0.6% +/- of the population of the United States (265.284 million) and

5%+ of the population of the State of California (31.858 million)

Sacramento-Yolo, as of 1996, was the 26th largest metropolitan area (as measured after some metropolitan areas previously considered separately are combined into "consolidated" metropolitan statistical areas, or CMSAs) in the United States.

The following chart illustrates how Sacramento-Yolo compares to some of the other areas that exceed one million in population.

POPULATION RANKINGS			
RANK	MSA/CMSA	1996 POPULATION	SIZE COMPARED TO SACRAMENTO-YOLO (TIMES)
1	New York-Northern New Jersey-Long Island, NY-NJ-CT-PA CMSA	19,938,492	12.2
2	Los Angeles-Riverside-Orange County, CA CMSA	15,495,155	9.5
3	Chicago-Gary-Kenosah, IL-IN-WI CMSA	8,599,774	5.3
4	Washington-Baltimore, DC-MD-VA-WV CMSA	7,164,519	4.4
5	San Francisco-Oakland-San Jose, CA CMSA	6,605,428	4.1
9	Dallas-Fort Worth, TX CMSA	4,574,561	2.8
10	Houston-Galveston-Brazoria, TX CMSA	4,253,428	2.6
11	Atlanta, GA MSA	3,541,230	2.2
12	Miami-Fort Lauderdale, FL CMSA	3,514,403	2.2
13	Seattle-Tacoma-Bremerton, WA CMSA	3,320,829	2.0
15	Minneapolis-St. Paul, MN-WI MSA	2,765,116	1.7
16	Phoenix-Mesa, AZ MSA	2,746,703	1.7
17	San Diego, CA MSA	2,655,463	1.6
18	St. Louis, MO-IL MSA	2,548,238	1.6
20	Denver-Boulder-Greeley, CO CMSA	2,277,401	1.4
21	Tampa-St. Petersburg-Clearwater, FL MSA	2,199,231	1.4
22	Portland-Salem, OR-WA CMSA	2,078,357	1.3
23	Cincinnati-Hamilton, OH-KY-IN CMSA	1,920,931	1.2
24	Kansas City, MO-KS MSA	1,690,343	1.0

POPULATION RANKINGS			
RANK	MSA/CMSA	1996 POPULATION	SIZE COMPARED TO SACRAMENTO-YOLO (TIMES)
25	Milwaukee-Racine, WI CMSA	1,642,658	1.0
26	Sacramento-Yolo, CA CMSA	[illegible]	1.0
27	Northfolk-Virginia Beach-Newport News, VA-NC MSA	1,540,252	1.0
28	Indianapolis, IN MSA	1,492,297	0.9
29	San Antonio, TX MSA	1,490,111	0.9
30	Columbus, OH MSA	1,447,646	0.9
31	Orlando, FL MSA	1,417,291	0.9
34	Salt Lake City-Ogden, UT MSA	1,217,842	0.8

Source: CENDATA from CompuServe and Bender Rosenthal calculations.

Sacramento was the 23rd most rapidly growing PMSA/MSA in the country over the 1980-90 period, the fifth fastest growing among national PMSA/MSAs over one million in population, and the sixth fastest growing in the State of California (five of these six were Central Valley cities). Since the 1980s, however, the population growth rate has decreased. As shown on the following chart, the area's population growth has moderated compared to the 3+% average annual growth rates of 1980-1990; the annual population increase since January 1991 has been 1.1%.

TABLE 1, SACRAMENTO CMSA POPULATION GROWTH

JANUARY 1980 TO JANUARY 1998[2]

COUNTY	POPULATION		NUMERICAL INCREASE	PERCENTAGE INCREASE	AVERAGE ANNUAL PERCENTAGE INCREASE
	1980	1998			
El Dorado	84,300	147,600	63,300	75.1%	4.2%
Placer	116,300	217,900	101,600	87.4%	4.9%
Sacramento	**777,800**	**1,159,800**	**382,000**	**49.1%**	**2.7%**
Yolo	112,800	156,800	44,000	39.0%	2.2%
Totals:	1,091,200	1,682,100	590,900	62.6% Avg.	3.5% Avg.

Note: As of January 1994 the Sacramento MSA has been revised to include only three counties: El Dorado, Placer, and Sacramento. When Yolo County is added, the combination is referred to as the Sacramento-Yolo CMSA.

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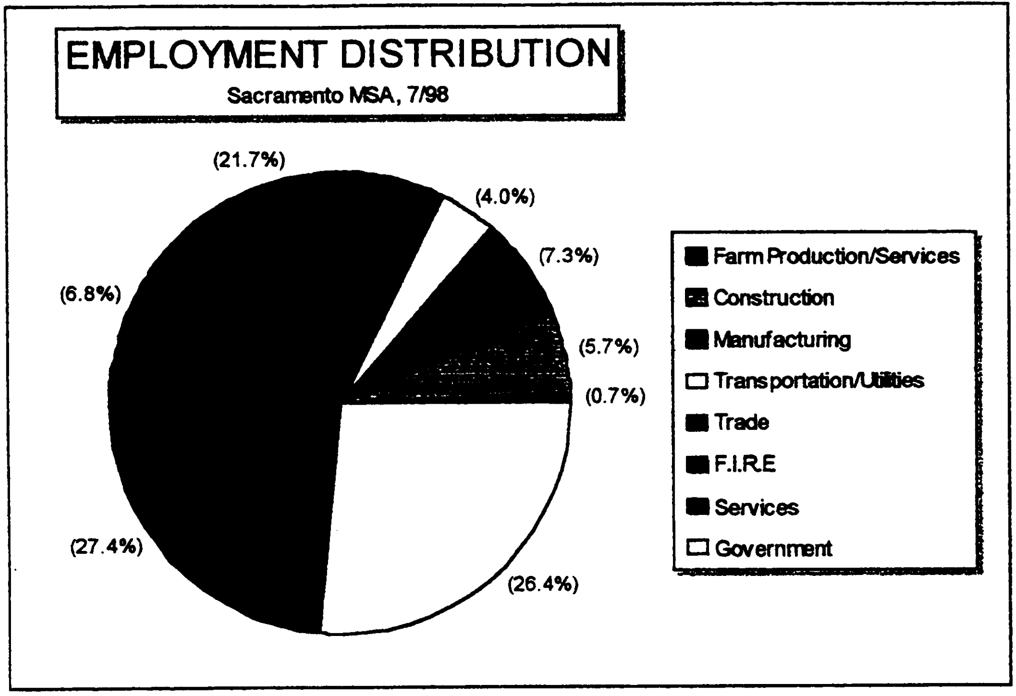
[2] POPULATION ESTIMATES FOR CALIFORNIA CITIES AND COUNTIES, REPORT 93 E-1, January 1, 1998, Department of Finance-Demographic Research Units, State of California, May 1997. (Does not agree precisely with U.S. Census data.)

Work Force Quality; Income Growth

The Sacramento population is well educated, relatively young, and affluent. Sixty percent of the adults are under age 45, over 62% of the work force has attended some college, and 25% possess bachelor's degrees or higher. Sacramento County's per capita income is about $24,900, which is 96% of the all-California average, and 99% of the national average.

Labor Resources, Employment, and Economic Base

Historically, over 50% of the area's economic base has been driven by government employment. Although Sacramento continues, undeniably, to be a government town, efforts to diversify the economic base have been modestly successful, and government employment as a percent of total employment has declined from over 34% in 1980 to less than 27% today (see exhibit that follows). Trade, Transportation, F.I.R.E. and Services account for another 60% of those employed. Only 7% of employment is attributable to the manufacturing sector, and this percentage is little changed since 1980, when it was 6.7%. Also, it should be noted that this employment analysis significantly under-emphasizes the importance to the local economy of the extensive agricultural production that exists throughout the extended area.



A list of the largest employers in Sacramento shows the community's dependence on government. The list follows on the next page.

LARGEST EMPLOYERS SACRAMENTO AREA	
EMPLOYER	NO. OF EMPLOYEES
State of California (not including education)	72,500
University of California at Davis	15,260
Sacramento County	11,000
San Juan Unified School District	9,200
McClellan Air Force Base	7,000
Sutter Health	7,635
Raley's	6,270
U.C. Davis Medical Center	5,810
Mercy Healthcare Sacramento	5,486
Kaiser Permanente	5,505
Sacramento City Unified School District	5,230
Hewlett-Packard	5,400
U.S. Postal Service	4,860
Pacific Bell	4,844
U.S. Postal Service	4,860
Intel Corporation	4,800
City of Sacramento	4,000
Packard Bell NEC	3,800
Elk Grove School District	3,340
The Money Store	2,900
Albertson's, Inc.	2,852
California State University at Sacramento	2,600
Foundation Health	2,480
Sacramento Municipal Utility District	2,240
Pride Industries	2,100
NEC Electronics	2,050
USCS International	2,013
MTS Inc.	2,000
United Parcel Service	2,000
Union Pacific Railroad	2,000
Lucky Stores, Inc.	1,998

EMPLOYER	NO. OF EMPLOYEES
Aerojet	1,800
Bank of America	1,714
Sacramento Bee	1,626
A Tiechert & Sons, Inc.	1,500
MCI Communications	1,500
Electronic Data Systems Corp.	1,455
Vision Services Plan	1,394

Sources: Business Journal Top 25 Lists, Individual organizations, State Employment Development Department, late 1998 counts.

The figure for state government does not include local campuses of the University of California or California State University systems, which are listed separately. Similarly, the U.C. Davis figure does not include the U.C. Davis Medical Center, which is in Sacramento

The Sacramento area's annual employment growth rate during the late 1980s was the fastest in the country, and the unemployment rate remained very low. During the early 1990s, however, there was a net decline in employment, and the unemployment rate remained high. The job market has steadily strengthened over the last three years. In March, 1997 the local unemployment rate dropped below the national rate for the first time since 1991. Current labor force and employment statistics are shown in the following table.

SACRAMENTO MSA
(SACRAMENTO, PLACER, AND EL DORADO COUNTIES)
CURRENT LABOR FORCE AND INDUSTRY EMPLOYMENT

MARCH 1997 BENCHMARK; DATA NOT ADJUSTED FOR SEASONALITY	DEC 97	OCT 98	NOV 98 REVISED	DEC 98 PRELIMINARY	PERCENT CHANGE	
					MONTH	YEAR
Civilian Labor Force	742,400	749,300	747,000	747,600	.01%	0.7%
Civilian Employment	709,000	715,000	716,000	717,600	0.2%	1.2%
Civilian Unemployment	33,400	34,300	31,000	30,000	-3.2%	-10.2%
Civilian Unemployment Rate	4.5%	4.6%	4.1%	4.0%	–	–
(California Unemployment Rate)	5.6%	5.7%	5.6%	5.4%	–	–
(U.S. Unemployment Rate)	41.4%	4.2%	4.1%	4.0%	–	–

As can be seen by the chart, the local unemployment rate has been decreasing overall. The total Sacramento job gain, December 1998 over December 1997, was 8,600, which is very positive. Although many self-employed persons may have left the work force in the early 1990s, it appears that many may be returning, as new business formation increases. Overall, current employment trends indicate that Sacramento is currently enjoying a healthy economy.

Regional planners, according to a report released in February 1996 by the Sacramento Area Council of Governments (SACOG), project that over 500,000 jobs will be created in the Sacramento area between now and the year 2020, with most of the employment growth occurring in the following communities:

GREATEST EMPLOYMENT GROWTH AREAS

COMMUNITY	2020 EMPLOYMENT	TOTAL INCREASE
Downtown	141,700	45,000
Roseville/Rocklin	111,400	63,600
Rancho Cordova	108,100	43,000
West Sacramento	61,800	40,000
Natomas	55,400	33,400
Totals	478,400	225,000

This is approximately a 3.2% compound rate of increase, which may be sustainable, but it is an aggressive projection, in our opinion. Planners are not clairvoyant, and historically their projections have been flawed because they cannot predict recessions, catastrophes, and other exogenous events that affect job growth.

Military Base Closures

For many years the Sacramento economy had the good fortune to be the recipient of the expenditures for local goods and services from three military bases: The Sacramento Army Depot, Mather Air Force Base, and McClellan Air Force Base. However, Mather was closed in 1993, and the Depot, for all practical purposes, closed in 1994. About 6,500 jobs were lost at the two bases. The Depot was converted, in part, to a manufacturing facility for Packard Bell (now NEC Packard Bell), a computer manufacturer, and over 3,000 new jobs were developed as a result.

McClellan, which once employed 12,600 civilians and 3,455 military personnel and pumped a gross annual payroll of $550 million into the local economy, is also nearing closure. Most of the military commands have already departed. About 7,000 employees remain at this time, but the prospects of retaining their hi-tech Department of Defense work do not appear good. The base contains about 2,800 acres, some of which have toxic substance problems. Exchange, commissary and medical facilities will remain open after base closure to serve the estimated 80,000 area military retirees who currently use these on-base services. Without access to these services, military retirees might be less likely to remain in the area.

Sacramento Business Climate

Historically, the Sacramento mix of government, management, labor, education, and environment apparently has not been appropriate for spawning or supporting major business endeavors, as demonstrated by the following facts:

> The Sacramento metropolitan area, which is the thirtieth largest in the United States, is not the headquarters city for a single FORTUNE 500 company.
>
> Of the 400 largest private companies (ranked by sales) in the United States, according to FORBES, three are headquartered in the Sacramento area: Raley's, MTS (Tower Books, Records, etc.), and Whitmire Distribution. In comparison, Reno has one, Redding has one, Modesto has two, Portland has two, and the San Francisco Bay area has ten.
>
> Of the 100 largest private companies in the State of California, as ranked by CALIFORNIA BUSINESS based on total revenues, four were based in the Sacramento area. Sacramento is the seventh largest MSA in California.

Although it is true that small companies, not large ones, generate most of the jobs in the United States today, it is also true that many of these smaller companies tend to be located near larger ones. Sacramento, unfortunately, has few large companies to provide the incubating environment for the creation of smaller firms, who subcontract for goods and services, or who use large company relationships to begin new ventures. This situation may be changing, however, as various high tech firms are locating facilities in Sacramento, as described earlier.

National Perceptions

Over the last 10 years various reviews of good places to live and work in the United States have rated Sacramento at many different levels. Each year Money Magazine rates its "best places" based on reviews of nine broad categories: crime, economy, health, housing, education, weather, leisure, arts and culture, and transportation. In its latest rating (July, 1998) Sacramento was rated the tenth out of the 14 metro areas in the west with populations exceeding 1.0 million. The ratings are shown in the chart that follows:

"HOW THEY RANK"
(Money Magazine)

Western Cities
Large (1,000,000+ pop.)

	City	**Population**
1.	Seattle-Bellevue-Everett, WA	2,234,707
2.	Denver, CO	1,866,978
3.	Los Angeles-Long Beach, CA	9,127,751
4.	San Diego, CA	2,655,463
5.	Salt Lake City-Ogden, UT	1,217,842
6.	San Francisco, CA	1,655,454
7.	Portland-Vancouver, OR	1,758,937
8.	Orange County, CA	2,636,888
9.	San Jose, CA	1,599,604
10.	Oakland, CA	2,209,629
11.	Las Vegas, NV-AZ	1,201,073
12.	Phoenix-Mesa, AZ	2,746,703
13.	Sacramento, CA	1,482,208
14.	Riverside-San Bernadino, CA	3,015,783

Summary

The Sacramento Metropolitan Area is strategically located with respect to transportation corridors and agricultural production within California's huge Central Valley region. The metropolitan area benefits from being the capital and center of government for the State of California, which currently has a population exceeding 31 million and a gross domestic product that, if compared to other nations, would be among the top ten in the world.

The area's population is well educated, relatively young, and used to working at wage scales that are below those found in the larger, coastal cities. Local employment, which is too dependent on government, was adversely impacted by the national recession and California depression, but less so than many other metropolitan areas of California. Military base closings have hurt the local economy, and one more major closing is in process. Nevertheless, job growth is strong, and regional economists seem to be universally positive on the near-term prospects for the area.

The accelerating economy is giving some real estate values a boost: properties of recognized quality have been appreciating for the last three or four years after seven or eight years of declining values, but substandard real estate may continue to lose value relative to other assets, albeit at a lessor rate than during the early 1990s. Looking at the long term, we believe that the area's overall desirability as a place to live and work should positively impact the local economy and most real estate values, and we expect continuing modest value increases during the remainder of the decade and into the early years of the new century.

ADDENDUM B

APPRAISERS' CERTIFICATION

CERTIFICATION

We certify that, to the best of our knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The analyses, opinions, and conclusions contained in this report are our personal, unbiased and professional analyses, opinions and conclusions, and are limited only by the reported assumptions and limiting conditions of this report.
3. We have no present or prospective interest in the property that is the subject of this report, and we have no personal interest or bias with respect to the parties involved.
4. Our compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.
5. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. Our 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, which fully incorporate the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation.
7. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
8. As of the date of this report, Stephen Rosenthal and Cydney G. Bender, have completed the requirements of the continuing education program of the Appraisal Institute.
9. Stephen Rosenthal and Cydney Bender are Certified General Appraisers in the State of California.
10. Mr. Rosenthal and Ms. Bender conducted an inspection of the property that is the subject of this report.
11. No one provided significant professional assistance to the undersigned in the preparation of this report.
12. The appraiser is competent to complete this report in accordance with the Competency Provisions in the USPAP.

Stephen A. Rosenthal, MAI
AG002263

Cydney G. Bender, MAI
AG002263

ADDENDUM C

APPRAISERS' QUALIFICATIONS

PROFESSIONAL QUALIFICATIONS OF
STEPHEN A. ROSENTHAL, MAI
(Partner in the firm of Bender Rosenthal)

Professional Experience

Stephen A. Rosenthal has been continuously active in real estate valuation and related fields since 1969. As a senior investment officer for a real estate pension fund advisor (FIA Associates, Inc.) to public pension funds from 1984 to 1991, Mr. Rosenthal valued and acquired fee, leasehold, and mortgage interests in numerous office, industrial, retail, and apartment properties located in various metropolitan areas throughout the United States. Prior to that he was a mortgage loan underwriter/valuator for IDS Life Insurance Company (national accounts; based in Minneapolis) and a commercial property appraiser for Equitable Life Assurance Society (southwestern U.S.; based in Los Angeles). Since early 1991 Mr. Rosenthal has been an independent appraisal contractor in the Sacramento area, performing appraisal services for a variety of clients on both his own company's letterhead and for other appraisal firms. During 1993 - 1994 he was also a valuation consultant affiliated with BARD CONSULTING, a San Francisco based pension fund consulting and advisory firm. Mr. Rosenthal has testified as an expert witness in court sponsored mediation sessions.

Formal Education

University of California Los Angeles (UCLA), Anderson School
  MBA degree (Urban Land Economics emphasis)
University of Wisconsin-Madison
  BS degree (English major)

Specialized Education

Appraisal Institute:
  Real Estate Principles
  Urban Properties
  Investment Analysis
  Standards of Professional Practice
College-level Courses:
  Certificate in Real Estate, UCLA Extension. Curriculum included courses in Real Estate Principles, Law, Finance, and Appraisal.
Major Seminars, Short Courses:
  Farm Appraisal, Argus Discounted Cash Flow Applications, Financial Calculator Usage, ADA, Electronic Data Interchange (EDI), Eminent Domain, Internet, many others

Professional Affiliations

Member of Appraisal Institute (MAI, Certificate No. 6495)
  (And currently President of the Sacramento Sierra Chapter, a member of the national APPRAISAL JOURNAL Review Committee, a member of the Regional Ethics and Counseling Committee, and a writer for the Sacramento Sierra Chapter newsletter.)
Member of the Urban Land Institute (ULI)
Member, Urban and Regional Information Systems Association (URISA)
Captain, U. S. Naval Reserve (Retired)
Former member of ICSC, NAIOP, and PREA

Certifications, Licenses

Licensed as a Certified General Real Estate Appraiser, State of California, #AG002263
California Real Estate Broker License

Publications

Articles have been published in the APPRAISAL JOURNAL, the MORTGAGE BANKER, and APPRAISAL NEWS AND REVIEW (Chapter newsletter)

PROFESSIONAL QUALIFICATIONS OF CYDNEY G. BENDER, MAI

(Partner in the firm of Bender Rosenthal)

Cydney G. Bender, MAI has been in real estate appraising and consulting since 1991. Her professional experience in real estate appraisal encompasses a broad range of property types that include office, retail, multi-family, mobile homes, park land, elderly housing, condemnation, and residential subdivisions. She is a member of the Appraisal Institute with the MAI designation and is a Certified General Real Estate Appraiser in the State of California, No. AG017559.

Ms. Bender is the Past President of the Sacramento Chapter of the Construction Specifications Institute, former Chief Financial Officer of the Commercial Real Estate Women, Sacramento and a member of the International Right-of-Way Association.

Prior to her career in real estate, Ms. Bender attended California Polytechnical State University in San Luis Obispo, majoring in Agricultural Business Management. Upon graduation she entered the commercial construction field as a Project Manager for a Sacramento based general contractor. Projects included tenant improvements, manufacturing plants, auto dealerships, industrial warehouses and elderly housing ranging in cost from $60,000 to $1.5 million in dollar volume. This unique background enables her to grasp complicated construction issues as they relate to valuation.

Representative Valuations Include

Office - Existing and proposed office developments for lending institutions, national developers, and investors.

Retail - Proposed and existing shopping centers and franchise restaurants, convenience stores, and pad sites.

Multi-Family Residential - Existing and proposed apartment complexes, in the Sacramento Metropolitan Area, Placer, San Luis Obispo, Santa Clara counties, and Las Vegas, Nevada including low income housing.

Medical - Existing and proposed medical clinics and dental offices.

Mobile Homes - Existing mobile home parks in the Alameda, Sacramento, Solano, and Yolo counties.

Elderly Housing - Proposed congregate care and residential care facilities.

Residential Developments - Proposed and existing residential subdivisions in Sacramento, Placer, El Dorado, Sutter, Yuba and Lake counties.

Eminent Domain - Improved and unimproved properties of partial takings representing municipalities, conservancies, and property owners. Eminent domain valuation of improved properties for the Sacramento Housing and Redevelopment Agency, City of Sacramento, and the City of Roseville.

Professional Affiliations

Member Appraisal Institute (MAI)
Past President, Construction Specifications Institute
President, Commercial Real Estate Women, Sacramento,
International Right-of-Way Association

ADDENDUM D

LISTS OF CFD PROPERTIES, WITH VALUE ALLOCATIONS

HIGHLAND RESERVE NORTH
RETAIL AND ALLOCATED BULK VALUE - FREE & CLEAR

Subdiv. Map Lot #	Zoning / Spec. Plan Land Use Desig.	Property Type	Acreage	Units	Retail $/Unit (Free & Clear)	Retail $/Acre (Free & Clear)	Total Retail (Free & Clear)	Allocated Bulk Value (Free & Clear)
9B	LDR	Res. 10,000 SF Lots	17.38	50	$ 52,000	$ 149,597	$ 2,600,000	**$ 1,946,562**
6	LDR	Res. 6,900 SF Lots	20.05	83	$ 47,000	$ 194,564	$ 3,901,000	**$ 2,920,591**
7	LDR	Res. 7,200 SF Lots	22.27	96	$ 48,000	$ 206,915	$ 4,608,000	**$ 3,449,906**
10	LDR	Res. 7,200 SF Lots	19.4	85	$ 48,000	$ 210,309	$ 4,080,000	**$ 3,054,605**
5	LDR	Res. 6,800 SF Lots	14.64	65	$ 45,000	$ 199,795	$ 2,925,000	**$ 2,189,882**
8	LDR	Res. 6,800 SF Lots	20.65	94	$ 45,000	$ 204,843	$ 4,230,000	**$ 3,166,906**
1A	LDR	Res. 6,000 SF Lots	16.7	79	$ 35,000	$ 165,569	$ 2,765,000	**$ 2,070,094**
1B	LDR	Res. 6,000 SF Lots	22.75	108	$ 35,000	$ 166,154	$ 3,780,000	**$ 2,830,001**
2	LDR	Res. 6,000 SF Lots	31.77	151	$ 35,000	$ 166,352	$ 5,285,000	**$ 3,956,761**
3A	LDR	Res. 6,000 SF Lots	9.41	44	$ 35,000	$ 163,656	$ 1,540,000	**$ 1,152,963**
3B	LDR	Res. 6,000 SF Lots	18.9	89	$ 35,000	$ 164,815	$ 3,115,000	**$ 2,332,131**
4	LDR	Res. 6,000 SF Lots	28.54	135	$ 35,000	$ 165,557	$ 4,725,000	**$ 3,537,502**
9A	LDR	Res. 6,500 SF Lots	21.5	104	$ 37,000	$ 178,977	$ 3,848,000	**$ 2,880,911**
20	MDR	Res. - MD Lots	14.63	117	$ 25,000	$ 199,932	$ 2,925,000	**$ 2,189,882**
30	HDR	Res. - Multi-Fam.	13.9	250	$ 12,000	$ 215,827	$ 3,000,000	**$ 2,246,033**
31	HDR	Res. - Multi-Fam.	11.77	220	$ 12,000	$ 224,299	$ 2,640,000	**$ 1,976,509**
SUBTOTAL - Residential & Public:			**304.26**	**1,770**			**$ 55,967,000**	**$ 41,901,238**
40	Vil. Square	Commercial	14.17	N/A	$ 10.00/SF	$ 435,600	$ 6,172,452	**$ 4,621,176**
43A	CC	Commercial	20.6	N/A	$ 12.00/SF	$ 522,720	$ 10,768,032	**$ 8,061,784**
43B	CC	Commercial	1	N/A	$ 12.00/SF	$ 522,720	$ 522,720	**$ 391,349**
44	CC	Commercial	3.96	N/A	$ 9.59/SF	$ 417,740	$ 1,654,252	**$ 1,238,501**
45A	CC	Commercial	14.01	N/A	$ 9.59/SF	$ 417,740	$ 5,852,543	**$ 4,381,668**
45B	CC	Commercial	15.43	N/A	$ 9.59/SF	$ 417,740	$ 6,445,734	**$ 4,825,777**
46A	CC	Commercial	9.57	N/A	$ 12.00/SF	$ 522,720	$ 5,002,430	**$ 3,745,207**
46B	CC	Commercial	10.78	N/A	$ 12.00/SF	$ 522,720	$ 5,634,922	**$ 4,218,739**
46C	CC	Commercial	16.43	N/A	$ 12.00/SF	$ 522,720	$ 8,588,290	**$ 6,429,860**
41	CC	Commercial	12.39	N/A	$ 12.00/SF	$ 522,720	$ 6,476,501	**$ 4,848,811**
42A	CC	Commercial	18.26	N/A	$ 12.00/SF	$ 522,720	$ 9,544,867	**$ 7,146,028**
42B	CC	Commercial	3.75	N/A	$ 12.00/SF	$ 522,720	$ 1,960,200	**$ 1,467,558**
47A	CC	Commercial	9.44	N/A	$ 12.00/SF	$ 522,720	$ 4,934,477	**$ 3,694,332**
47B	CC	Commercial	9.5	N/A	$ 12.00/SF	$ 522,720	$ 4,965,840	**$ 3,717,813**
47C	CC	Commercial	9.38	N/A	$ 12.00/SF	$ 522,720	$ 4,903,114	**$ 3,670,851**
SUBTOTAL - Commercial:			**168.67**	**N/A**			**$ 83,426,373**	**$ 62,459,455**
GRAND TOTAL:			**472.93**	**1,770**			**$ 139,393,373**	**$ 104,360,693**

HIGHLAND RESERVE NORTH
RETAIL AND ALLOCATED BULK VALUE - SUBJECT TO SPECIAL TAX

Subdiv. Map Lot #	Zoning / Spec. Plan Land Use Desig.	Property Type	Acreage	Units	Retail $/Unit (Subject to Special Tax)	Retail $/Acre (Subject to Special Tax)	Total Retail (Subject to Special Tax)	Allocated Bulk Value (Subject to Special Tax)
9B	LDR	Res. 10,000 SF Lots	17.38	50	$ 45,000	$ 129,459	$ 2,250,000	**$ 1,544,190**
6	LDR	Res. 6,900 SF Lots	20.05	83	$ 32,200	$ 133,297	$ 2,672,600	**$ 1,834,223**
7	LDR	Res. 7,200 SF Lots	22.27	96	$ 33,000	$ 142,254	$ 3,168,000	**$ 2,174,219**
10	LDR	Res. 7,200 SF Lots	19.4	85	$ 33,000	$ 144,588	$ 2,805,000	**$ 1,925,090**
5	LDR	Res. 6,800 SF Lots	14.64	65	$ 31,400	$ 139,413	$ 2,041,000	**$ 1,400,751**
8	LDR	Res. 6,800 SF Lots	20.65	94	$ 31,400	$ 142,935	$ 2,951,600	**$ 2,025,702**
1A	LDR	Res. 6,000 SF Lots	16.7	79	$ 25,000	$ 118,263	$ 1,975,000	**$ 1,355,455**
1B	LDR	Res. 6,000 SF Lots	22.75	108	$ 25,000	$ 118,681	$ 2,700,000	**$ 1,853,027**
2	LDR	Res. 6,000 SF Lots	31.77	151	$ 25,000	$ 118,823	$ 3,775,000	**$ 2,590,807**
3A	LDR	Res. 6,000 SF Lots	9.41	44	$ 25,000	$ 116,897	$ 1,100,000	**$ 754,937**
3B	LDR	Res. 6,000 SF Lots	18.9	89	$ 25,000	$ 117,725	$ 2,225,000	**$ 1,527,032**
4	LDR	Res. 6,000 SF Lots	28.54	135	$ 25,000	$ 118,255	$ 3,375,000	**$ 2,316,284**
9A	LDR	Res. 6,500 SF Lots	21.5	104	$ 29,000	$ 140,279	$ 3,016,000	**$ 2,069,900**
20	MDR	Res. - MD Lots	14.63	117	$ 15,000	$ 119,959	$ 1,755,000	**$ 1,204,468**
30	HDR	Res. - Multi-Fam.	13.9	250	$ 9,000	$ 161,871	$ 2,250,000	**$ 1,544,190**
31	HDR	Res. - Multi-Fam.	11.77	220	$ 9,000	$ 168,224	$ 1,980,000	**$ 1,358,887**
SUBTOTAL - Residential & Public			**304.26**	**1,770**			**$ 40,039,200**	**$ 27,479,162**
40	Vil. Square	Commercial	14.17	N/A	$ 8.25/SF	$ 359,370	$ 5,092,273	**$ 3,936,486**
43A	CC	Commercial	20.6	N/A	$ 10.25/SF	$ 446,490	$ 9,197,694	**$ 7,110,104**
43B	CC	Commercial	1	N/A	$ 10.25/SF	$ 446,490	$ 446,490	**$ 345,151**
44	CC	Commercial	3.96	N/A	$ 8.59/SF	$ 374,180	$ 1,481,754	**$ 1,145,442**
45A	CC	Commercial	14.01	N/A	$ 8.59/SF	$ 374,180	$ 5,242,267	**$ 4,052,436**
45B	CC	Commercial	15.43	N/A	$ 8.59/SF	$ 374,180	$ 5,773,604	**$ 4,463,176**
46A	CC	Commercial	9.57	N/A	$ 11.00/SF	$ 479,160	$ 4,585,561	**$ 3,544,782**
46B	CC	Commercial	10.78	N/A	$ 10.25/SF	$ 446,490	$ 4,813,162	**$ 3,720,725**
46C	CC	Commercial	16.43	N/A	$ 10.25/SF	$ 446,490	$ 7,335,831	**$ 5,670,826**
41	CC	Commercial	12.39	N/A	$ 11.00/SF	$ 479,160	$ 5,936,792	**$ 4,589,326**
42A	CC	Commercial	18.26	N/A	$ 10.25/SF	$ 446,490	$ 8,152,907	**$ 6,302,452**
42B	CC	Commercial	3.75	N/A	$ 8.00/SF	$ 348,480	$ 1,306,800	**$ 1,010,197**
47A	CC	Commercial	9.44	N/A	$ 10.25/SF	$ 446,490	$ 4,214,866	**$ 3,258,223**
47B	CC	Commercial	9.5	N/A	$ 10.25/SF	$ 446,490	$ 4,241,655	**$ 3,278,932**
47C	CC	Commercial	9.38	N/A	$ 10.25/SF	$ 446,490	$ 4,188,076	**$ 3,237,514**
SUBTOTAL - Commercial			**168.67**	**N/A**			**$ 72,009,733**	**$ 55,665,770**
GRAND TOTAL:			**472.93**	**1,770**			**$ 112,048,933**	**$ 83,144,931**

ADDENDUM E

DISCOUNTED VALUATION ANALYSES

FREE & CLEAR

ABSORPTION PROJECTION AND DISCOUNTED VALUE ANALYSIS

				0	1	2	3	4	5	6	7	8	9	
			Projection Year:	0	1	2	3	4	5	6	7	8	9	
			Calendar Year:	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Check Totals
Absorption Pattern (%)														
Small Lots (MDR)				0.00%	0.00%	100.00%	0.00%	0.00%	0.00%	0.00%	0%	0%	0%	100%
6,000 SF Lots (LDR)				0.00%	0.00%	47.09%	39.87%	13.04%	0.00%	0.00%	0%	0%	0%	100%
6,500 SF Lots (LDR)				0.00%	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0%	0%	0%	100%
6,800 SF Lots (LDR)				0.00%	58.52%	41.48%	0.00%	0.00%	0.00%	0.00%	0%	0%	0%	100%
6,900 SF Lots (LDR)				0.00%	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0%	0%	0%	100%
7,200 SF Lots (LDR)				0.00%	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0%	0%	0%	100%
10,000 SF Lots (LDR)				0.00%	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0%	0%	0%	100%
Village Square Commercial				0.00%	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0%	0%	0%	100%
Community Commercial				21.62%	36.17%	28.52%	12.26%	2.43%	0.00%	0.00%	0%	0%	0%	100%
Multi-Family (HDR)				0.00%	0.00%	0.00%	45.85%	54.15%	0.00%	0.00%	0%	0%	0%	100%
Absorption Pattern (Units or Net Acres)	Acres	Density/Acre	Total Units											
Small Lots (MDR) (Units)	14.63	8.0	117	0.00	0.00	117.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	117.00
6,000 SF Lots (LDR) (Units)	128.07	4.73	606	0.00	0.00	285.37	241.61	79.02	0.00	0.00	0.00	0.00	0.00	606.00
6,500 SF Lots (LDR) (Units)	21.50	4.8	104	0.00	104.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	104.00
6,800 SF Lots (LDR) (Units)	35.29	4.5	159	0.00	93.04	65.96	0.00	0.00	0.00	0.00	0.00	0.00	0.00	159.00
6,900 SF Lots (LDR) (Units)	20.05	4.1	83	0.00	83.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	83.00
7,200 SF Lots (LDR) (Units)	41.67	4.3	181	0.00	181.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	181.00
10,000 SF Lots (LDR) (Units)	17.38	2.9	50	0.00	50.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	50.00
Village Square Commercial (Acres)	14.17		617,245 SF	0.00	14.17	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	14.17
Community Commercial (Acres)	154.50		6,730,020 SF	33.40	54.34	44.07	18.94	3.75	0.00	0.00	0.00	0.00	0.00	154.50
Multi-Family (HDR) (Units)	26.67	18.31	470	0.00	0.00	0.00	215.50	254.50	0.00	0.00	0.00	0.00	0.00	470.00
Total	472.93													
Residential Unit Absorption Summary:														
Equivalent MDR Unit Capacity Absorbed per Year				-	-	117	-	-	-	-	-	-	-	117
Equivalent LDR Unit Capacity Absorbed per Year				-	511	351	242	79	-	-	-	-	-	1,183
Equivalent Multi-Family Unit Capacity Absorbed per Year				-	-	-	216	254	-	-	-	-	-	470
														1,770
Acreage Absorption Summary:														
Equivalent MDR Acres Absorbed per Year				-	-	14.6	-	-	-	-	-	-	-	14.6
Cumulative MDR Acres Absorbed				-	-	*14.6*	*14.6*	*14.6*	*14.6*	*14.6*	*14.6*	*14.6*	*14.6*	
Equivalent LDR Acres Absorbed per Year				-	121.3	75.0	51.1	16.7	-	-	-	-	-	264.0
Cumulative LDR Acres Absorbed				-	*121.3*	*196.2*	*247.3*	*264.0*	*264.0*	*264.0*	*264.0*	*264.0*	*264.0*	
Equivalent Multi-Family Acres Absorbed per Year				-	-	-	11.8	13.9	-	-	-	-	-	25.7
Cumulative Multi-Family Acres Absorbed				-	-	-	*11.8*	*25.7*	*25.7*	*25.7*	*25.7*	*25.7*	*25.7*	
Commercial Acres Absorbed per Year (Community & Village Commer.)				33.4	68.5	44.1	18.9	3.8	-	-	-	-	-	168.7
Cumulative Commercial Acres Absorbed				*33.4*	*101.9*	*146.0*	*164.9*	*168.7*	*168.7*	*168.7*	*168.7*	*168.7*	*168.7*	
Equivalent Total Acres Absorbed per Year				33.4	189.8	133.7	81.8	34.4	-	-	-	-	-	472.9
Cumulative Total Absorbed (Acres)				*33.4*	*223.2*	*356.8*	*438.6*	*472.9*	*472.9*	*472.9*	*472.9*	*472.9*	*472.9*	
Sales Analysis, Based on Absorption from Above	Retail Values - Free & Clear:													
	Per Unit	P/Acre	Total											
Small Lots (MDR)	$ 25,000	$ 199,932	$ 2,925,000	$ -	$ -	$ 2,925,000	$ -	$ -	-	$ -	$ -	$ -	$ -	$ 2,925,000
6,000 SF Lots (LDR)	$ 35,000	$ 165,613	$ 21,210,000	$ -	$ -	$ 9,988,093	$ 8,456,177	$ 2,765,730	-	$ -	$ -	$ -	$ -	$ 21,210,000
6,500 SF Lots (LDR)	$ 37,000	$ 178,977	$ 3,848,000	$ -	$ 3,848,000	$ -	$ -	$ -	-	$ -	$ -	$ -	$ -	$ 3,848,000
6,800 SF Lots (LDR)	$ 45,000	$ 202,749	$ 7,155,000	$ -	$ 4,186,760	$ 2,968,240	$ -	$ -	-	$ -	$ -	$ -	$ -	$ 7,155,000
6,900 SF Lots (LDR)	$ 47,000	$ 194,564	$ 3,901,000	$ -	$ 3,901,000	$ -	$ -	$ -	-	$ -	$ -	$ -	$ -	$ 3,901,000
7,200 SF Lots (LDR)	$ 48,000	$ 208,495	$ 8,688,000	$ -	$ 8,688,000	$ -	$ -	$ -	-	$ -	$ -	$ -	$ -	$ 8,688,000
10,000 SF Lots (LDR)	$ 52,000	$ 149,597	$ 2,600,000	$ -	$ 2,600,000	$ -	$ -	$ -	-	$ -	$ -	$ -	$ -	$ 2,600,000
Village Square Commercial	$ 10.00	$ 435,600	$ 6,172,452	$ -	$ 6,172,452	$ -	$ -	$ -	-	$ -	$ -	$ -	$ -	$ 6,172,452
Community Commercial	$ 12.00	$ 522,720	$ 77,253,921	$ 13,952,529	$ 28,404,605	$ 23,036,270	$ 9,900,317	$ 1,980,200	-	$ -	$ -	$ -	$ -	$ 77,253,921
Multi-Family (HDR)	$ 12,000	$ 219,712	$ 5,640,000	$ -	$ -	$ -	$ 2,586,007	$ 3,053,993	-	$ -	$ -	$ -	$ -	$ 5,640,000
Sum of Retail Values		$ 294,744	$ 139,393,373											$ 139,393,373
Total Sales per Period				$ 13,952,529	$ 57,800,817	$ 38,917,604	$ 20,942,501	$ 7,779,923	-	$ -	$ -	$ -	$ -	$ 139,393,373
Present Value of Sales			$ 111,859,639											
Per Net Acre:			$ 236,525											
Per Square Foot of Land:			$ 5.43											
Development and Holding Period Expense Analysis														
Marketing Expense as a % of Sales:			5%	$ 697,626	$ 2,890,041	$ 1,945,880	$ 1,047,125	$ 388,986	-	$ -	$ -	$ -	$ -	
Taxes and Direct Levies on Remaining Inventory:			1.1%	553,715	836,587	444,072	182,622	41,890	(0)	(0)	(0)	(0)	(0)	
Admin., Ins., Other Holding Costs per Acre of Remaining Inventory:			$ 200	45,623	68,930	36,589	15,047	3,436	(0)	(0)	(0)	(0)	(0)	
Total Development and Holding Expense Per Period				$ 1,296,965	$ 3,795,558	$ 2,426,541	$ 1,244,794	$ 434,121	(0)	$ (0)	$ (0)	$ (0)	$ (0)	
Sales Less Expenses				$ 12,655,564	$ 54,005,259	$ 36,491,063	$ 19,697,707	$ 7,345,802	0	$ 0	$ 0	$ 0	$ 0	
DISCOUNTED VALUE ANALYSIS														
Discount Rate:			15%											
Present Value of All Sales Less Expenses			$ 104,380,693	$ 12,655,564	$ 46,961,095	$ 27,592,486	$ 12,951,582	$ 4,190,986	0	$ 0	$ 0	$ 0	$ 0	$ 104,380,693
Per Net Acre:			$ 220,868											
Per Square Foot of Land:			$ 5.07											

Note: The "Year Zero" absorption is comprised of the 1999 sales (under contract) of the Home Depot Power Center site land (33.4 acres @ $9.59 per sq.ft., including bonds).

HIGHLAND RESERVE NORTH -- RESIDENTIAL & PUBLIC PROPERTIES

SUBJECT TO SPECIAL TAX

ABSORPTION PROJECTION AND DISCOUNTED VALUE ANALYSIS

Projection Year:	0	1	2	3	4	5	6	7	8	9	
Calendar Year:	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Check Totals
Absorption Pattern (%)											
Small Lots (MDR)	0.00%	0.00%	100.00%	0.00%	0.00%	0.00%	0.00%	0%	0%	0%	100%
6,000 SF Lots (LDR)	0.00%	0.00%	47.09%	39.87%	13.04%	0.00%	0.00%	0%	0%	0%	100%
6,500 SF Lots (LDR)	0.00%	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0%	0%	0%	100%
6,800 SF Lots (LDR)	0.00%	58.52%	41.48%	0.00%	0.00%	0.00%	0.00%	0%	0%	0%	100%
6,900 SF Lots (LDR)	0.00%	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0%	0%	0%	100%
7,200 SF Lots (LDR)	0.00%	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0%	0%	0%	100%
10,000 SF Lots (LDR)	0.00%	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0%	0%	0%	100%
Multi-Family (HDR)	0.00%	0.00%	0.00%	45.85%	54.15%	0.00%	0.00%	0%	0%	0%	100%

Absorption Pattern (Units or Net Acres)	Acres	Density/Acre	Total Units	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Check Totals
Small Lots (MDR) (Units)	14.63	8.0	117	0.00	0.00	117.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	117.00
6,000 SF Lots (LDR) (Units)	128.07	4.73	606	0.00	0.00	285.37	241.61	79.02	0.00	0.00	0.00	0.00	0.00	606.00
6,500 SF Lots (LDR) (Units)	21.50	4.8	104	0.00	104.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	104.00
6,800 SF Lots (LDR) (Units)	35.29	4.5	159	0.00	93.04	65.96	0.00	0.00	0.00	0.00	0.00	0.00	0.00	159.00
6,900 SF Lots (LDR) (Units)	20.05	4.1	83	0.00	83.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	83.00
7,200 SF Lots (LDR) (Units)	41.67	4.3	181	0.00	181.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	181.00
10,000 SF Lots (LDR) (Units)	17.38	2.9	50	0.00	50.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	50.00
Multi-Family (HDR) (Units)	25.67	18.31	470	0.00	0.00	0.00	215.50	254.50	0.00	0.00	0.00	0.00	0.00	470.00
Total	304.26													

Residential Unit Absorption Summary:	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Check Totals
Equivalent MDR Unit Capacity Absorbed per Year	-	-	117	-	-	-	-	-	-	-	117
Equivalent LDR Unit Capacity Absorbed per Year	-	511	351	242	79	-	-	-	-	-	1,183
Equivalent Multi-Family Unit Capacity Absorbed per Year	-	-	-	216	254	-	-	-	-	-	470
											1,770

Acreage Absorption Summary:	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Check Totals
Equivalent MDR Acres Absorbed per Year	-	-	14.6	-	-	-	-	-	-	-	14.6
Cumulative MDR Acres Absorbed	-	-	*14.6*	*14.6*	*14.6*	*14.6*	*14.6*	*14.6*	*14.6*	*14.6*	
Equivalent LDR Acres Absorbed per Year	-	121.3	75.0	51.1	16.7	-	-	-	-	-	264.0
Cumulative LDR Acres Absorbed	-	*121.3*	*196.2*	*247.3*	*264.0*	*264.0*	*264.0*	*264.0*	*264.0*	*264.0*	
Equivalent Multi-Family Acres Absorbed per Year	-	-	-	11.8	13.9	-	-	-	-	-	25.7
Cumulative Multi-Family Acres Absorbed	-	-	-	*11.8*	*25.7*	*25.7*	*25.7*	*25.7*	*25.7*	*25.7*	
Equivalent Total Acres Absorbed per Year	-	121.3	89.6	62.8	30.6	-	-	-	-	-	304.3
Cumulative Total Absorbed (Acres)	-	*121.3*	*210.8*	*273.7*	*304.3*	*304.3*	*304.3*	*304.3*	*304.3*	*304.3*	

Sales Analysis, Based on Absorption from Above

Retail Values - Subject to Special Tax:

	Per Unit	P/Acre	Total	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Check Totals
Small Lots (MDR)	$ 15,000	$ 119,959	$ 1,755,000	$ -	$ -	$ 1,755,000	$ -	-	$ -	$ -	$ -	$ -	$ -	$ 1,755,000
6,000 SF Lots (LDR)	$ 25,000	$ 118,295	$ 15,150,000	$ -	$ -	$ 7,134,352	$ 6,040,128	1,975,521	$ -	$ -	$ -	$ -	$ -	$ 15,150,000
6,500 SF Lots (LDR)	$ 29,000	$ 140,279	$ 3,016,000	$ -	$ 3,016,000	$ -	$ -	-	$ -	$ -	$ -	$ -	$ -	$ 3,016,000
6,800 SF Lots (LDR)	$ 31,400	$ 141,474	$ 4,992,600	$ -	$ 2,921,428	$ 2,071,172	$ -	-	$ -	$ -	$ -	$ -	$ -	$ 4,992,600
6,900 SF Lots (LDR)	$ 32,200	$ 133,297	$ 2,672,600	$ -	$ 2,672,600	$ -	$ -	-	$ -	$ -	$ -	$ -	$ -	$ 2,672,600
7,200 SF Lots (LDR)	$ 33,000	$ 143,341	$ 5,973,000	$ -	$ 5,973,000	$ -	$ -	-	$ -	$ -	$ -	$ -	$ -	$ 5,973,000
10,000 SF Lots (LDR)	$ 45,000	$ 129,459	$ 2,250,000	$ -	$ 2,250,000	$ -	$ -	-	$ -	$ -	$ -	$ -	$ -	$ 2,250,000
Multi-Family (HDR)	$ 9,000	$ 164,784	$ 4,230,000	$ -	$ -	$ -	$ 1,939,505	2,290,495	$ -	$ -	$ -	$ -	$ -	$ 4,230,000
Sum of Retail Values		$ 131,695	$ 40,039,200											$ 40,039,200
Total Sales per Period				$ -	$ 18,833,028	$ 10,960,524	$ 7,979,632	4,266,016	$ -	$ -	$ -	$ -	$ -	$ 40,039,200

Present Value of Sales	$ 30,610,993
Per Net Acre:	$ 100,608
Per Square Foot of Land:	$ 2.31

Development and Holding Period Expense Analysis		1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Marketing Expense as a % of Sales:	5%	$ -	$ 841,651	$ 548,026	$ 398,982	213,301	$ -	$ -	$ -	$ -	$ -
Taxes and Direct Levies on Remaining Inventory:	1.1%	151,135	242,042	137,316	61,610	15,200	-	-	-	-	-
Highland Res. North CFD No. 1 -- Debt Service per Acre of Remaining MDR Inv.	$ 8,637 /Yr.	-	-	57,915	-	-	-	-	-	-	-
Highland Res. North CFD No. 1 -- Debt Service per Acre of Remaining LDR Inv.	$ 5,862 /Yr.	-	-	565,480	247,552	48,948	-	-	-	-	-
Highland Res. North CFD No. 1 -- Debt Service per Acre of Remaining Multi-Fam. Inv.	$ 9,228 /Yr.	-	-	217,143	182,576	64,135	-	-	-	-	-
Admin., Ins., Other Holding Costs per Acre of Remaining Inventory:	$ 200	30,426	48,727	27,644	12,403	3,060	-	-	-	-	-
Total Development and Holding Expense Per Period		$ 181,561	$ 1,132,421	$ 1,553,524	$ 903,122	344,843	$ -	$ -	$ -	$ -	$ -
Sales Less Expenses		$ (181,561)	$ 15,700,607	$ 9,407,000	$ 7,076,509	3,921,373	$ -	$ -	$ -	$ -	$ -

DISCOUNTED VALUE ANALYSIS

		1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Check Totals
Discount Rate:	15%											
Present Value of All Sales Less Expenses	$27,479,162	$ (181,561)	$ 13,652,702	$ 7,113,044	$ 4,652,920	2,242,058	$ -	$ -	$ -	$ -	$ -	$ 27,479,162
Per Net Acre:	$ 90,315											
Per Square Foot of Land:	$ 2.07											

Note: Estimated bond payment commence date: February 1, 2000

HIGHLAND RESERVE NORTH -- COMMERCIAL PROPERTIES

SUBJECT TO SPECIAL TAX

ABSORPTION PROJECTION AND DISCOUNTED VALUE ANALYSIS

Projection Year:				0	1	2	3	4	5	6	7	8	9	
Calendar Year:				1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Check Totals
Absorption Pattern (%)														
Village Square Commercial				0.00%	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0%	0%	0%	100%
Community Commercial				21.62%	35.17%	28.52%	12.26%	2.43%	0.00%	0.00%	0%	0%	0%	100%
Absorption Pattern (Units or Net Acres)	Acres	Density/Acre	Total Units											
Village Square Commercial (Acres)	14.17		617,245 SF	0.00	14.17	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	14.17
Community Commercial (Acres)	154.50		6,730,020 SF	33.40	54.34	44.07	18.94	3.75	0.00	0.00	0.00	0.00	0.00	154.50
Total	168.67													
Acreage Absorption Summary:														
Commercial Acres Absorbed per Year (Community & Village Commer.)				33.4	68.5	44.1	18.9	3.8	-	-	-	-	-	168.7
Cumulative Commercial Acres Absorbed				*33.4*	*101.9*	*146.0*	*164.9*	*168.7*	*168.7*	*168.7*	*168.7*	*168.7*	*168.7*	
Equivalent Total Acres Absorbed per Year				33.4	68.5	44.1	18.9	3.8	-	-	-	-	-	168.7
Cumulative Total Absorbed (Acres)				*33.4*	*101.9*	*146.0*	*164.9*	*168.7*	*168.7*	*168.7*	*168.7*	*168.7*	*168.7*	
Sales Analysis, Based on Absorption from Above	Retail Values - Subject to Special Tax:													
	Per Unit	P/Acre	Total											
Village Square Commercial	$ 8.25	$ 359,370	$ 5,092,273	$ -	$ 5,092,273	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 5,092,273
Community Commercial	$ 10.32	$ 449,379	$ 66,917,460	$ 12,497,625	$ 24,419,272	$ 19,804,146	$ 8,511,244	$ 1,685,172	$ -	$ -	$ -	$ -	$ -	$ 66,917,460
Sum of Retail Values		$ 426,927	$ 72,009,733											$ 72,009,733
Total Sales per Period				$ 12,497,625	$ 29,511,545	$ 19,804,146	$ 8,511,244	$ 1,685,172	$ -	$ -	$ -	$ -	$ -	$ 72,009,733
Present Value of Sales			$ 59,694,402											
Per Net Acre:			$ 353,912											
Per Square Foot of Land:			$ 8.12											
Development and Holding Period Expense Analysis														
Marketing Expense as a % of Sales:			5%	$ 624,881	$ 1,475,577	$ 990,207	$ 425,562	$ 84,259	$ -	$ -	$ -	$ -	$ -	
Taxes and Direct Levies on Remaining Inventory:			1.1%	275,849	366,715	162,365	47,993	6,807	-	-	-	-	-	
Highland Res. North CFD No. 1 -- Debt Service per Acre of Remaining Commercial Inv.			$ 6,120 /Yr.	-	-	250,907	80,906	11,475	-	-	-	-	-	
Admin., Ins., Other Holding Costs per Acre of Remaining Inventory:			$ 200	15,197	20,203	8,945	2,644	375	-	-	-	-	-	
Total Development and Holding Expense Per Period				$ 915,927	$ 1,862,495	$ 1,412,425	$ 557,105	$ 102,915	$ -	$ -	$ -	$ -	$ -	
Sales Less Expenses				$ 11,581,698	$ 27,649,049	$ 18,391,721	$ 7,954,139	$ 1,582,257	$ -	$ -	$ -	$ -	$ -	
DISCOUNTED VALUE ANALYSIS														
Discount Rate:			15%											
Present Value of All Sales Less Expenses			$55,665,770	$ 11,581,698	$ 24,042,652	$ 13,906,784	$ 5,229,975	$ 904,661	$ -	$ -	$ -	$ -	$ -	$ 55,665,770
Per Net Acre:			$ 330,028											
Per Square Foot of Land:			$ 7.58											

Note: 1.) The "Year Zero" absorption is comprised of the 1999 sales (under contract) of the Home Depot Power Center site land (33.4 acres @ $8.59 per sq.ft.).

2.) Estimated bond payment commence date: February 1, 2001

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 Highland Reserve North, L.P., and any amendments thereto.

"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, 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 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 (i) Cox, Castle & Nicholson LLP, or (ii) 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 16 in any year and extending to the next succeeding September 15, both dates inclusive; except that the first Bond Year shall begin on the Closing Date and end on September 15, 2000.

"Bonds" means the City of Roseville Highland Reserve North Community Facilities District No. 1 Special Tax Bonds Series 1999 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 in the Fiscal Agent Agreement) 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, 1999, by and among the City and U.S. Trust Company, National Association, in its capacity as Fiscal Agent and 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.

"District" means the City of Roseville Highland Reserve North 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) the investment is the Local Agency Investment Fund of the State of California, but only if at all times during which the investment is held its yield is reasonably expected to be equal to or greater than the yield on a reasonably comparable direct obligation of the United States.

"Federal Securities" means any of the following which are non-callable and which at the time of investment are legal investments under the laws of the State of California for funds held by the Fiscal Agent (the Fiscal Agent entitled to rely upon investment direction from the City as a certification that such investment constitutes a legal investment).

(i) Direct general obligations of the United States of America (including obligations issued or held in book-entry form on the books of the United States Department of the Treasury) and obligations, the payment of principal of and interest on which are directly or indirectly guaranteed by the United States of America, including, without limitation, such of the foregoing which are commonly referred to as "stripped" obligations and coupons; or

(ii) Any of the following obligations of the following agencies of the United States of America: (i) direct obligations of the Export-Import Bank, (ii) certificates of beneficial ownership issued by the Farmers Home Administration, (iii) participation certificates issued by the General Services Administration, (iv) mortgage-backed bonds or passthrough obligations issued and guaranteed by the Government National Mortgage Association, (v) project notes issued by the United States Department of Housing and Urban Development, and (vi) public housing notes and bonds guaranteed by the United States of America.

"Finance Director" means the 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 in the Fiscal Agent Agreement provided, its successors and assigns, and any other corporation or association which may at any time be substituted in its place.

"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, 2000.

"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.

"Prepayment" means any amounts received by the Fiscal Agent as prepayment in whole or in part of the Special Tax, including interest and premiums related thereto.

"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 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 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) 10% of the total proceeds of the Bonds deposited under the Fiscal Agent Agreement.

"Resolution" means Resolution No. 99-___, adopted by the City Council of the City on August 18, 1999, which resolution, among other matters, authorized the issuance of the Bonds.

"Resolution of Formation" means Resolution No. 99-___, adopted by the City Council of the City on August 18, 1999, 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. 99-___, adopted by the City Council of the City on ___________, as amended by Resolution No. 99-___, adopted by the City Council of the City on __________.

"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 any scheduled payments and any prepayments 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 into the 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 Highland Reserve North Community Facilities District No. 1 Special Tax Bonds Special Tax Fund, to the credit of which the City shall deposit, immediately upon receipt, all Special Tax Revenue 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 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.

All Special Tax Revenue will 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 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 shall occur on or after September 15th of each year.

Moneys in the Surplus Account may, at the City's discretion, be used to pay for the cost of Improvements not financed from proceeds of the Bonds, the principal of, premium, if any, and interest on the Bonds or to replenish the Reserve Fund to the amount of the Reserve Requirement. From time to time, the City may also withdraw from Debt Service Account and/or the Surplus Account of the Special Tax Fund amounts needed to pay the City Administrative Expenses; provided that such transfers may not be in excess of the portion of the Special Tax Revenues collected by the City that represent levies for Administrative Expenses.

Moneys in the Special Tax Fund shall be held in trust by the City for the benefit of the City and the Owners of the Bonds, shall be disbursed as provided above and, pending any disbursement, shall be subject to a lien in favor of the Owners of the Bonds.

Bond Fund.

Establishment of Bond Fund. There is established in the Fiscal Agent Agreement as a separate fund to be held by the Fiscal Agent the Highland Reserve North 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. There is established in the Fiscal Agent Agreement as a separate account within the Bond Fund to be held by the Fiscal Agent the Prepayment Account. 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.

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.

Establishment of Fund. There is established in the Fiscal Agent Agreement as a separate fund to be held by the Fiscal Agent the Highland Reserve North 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 acceptable to the Bond Insurer, which acceptance shall be evidenced by a written consent, and such credit instrument shall be held by the Fiscal Agent.

The City shall have the right at any time, including on the date of delivery of the Bonds, in lieu of a deposit of funds to the Reserve Fund, to tender to the Fiscal Agent a Reserve Fund Credit Instrument. Prior to the expiration of any Reserve Fund Credit Instrument, the City shall be obligated either (a) to replace such Reserve Fund Credit Instrument with a new Reserve Fund Credit Instrument, or (b) to deposit or cause to be deposited in the Reserve Fund an amount of moneys equal to the Reserve Requirement; *provided, however,* that if the City shall fail to replace an expiring Reserve Fund Credit Instrument or to deposit moneys equal to the Reserve Requirement, the Fiscal Agent shall draw on such Reserve Fund Credit Instrument before such expiration to provide moneys to fund the Reserve Fund in the amount of the Reserve Requirement, and shall transfer into the Reserve Fund.

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 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 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 in accordance with the Fiscal Agent Agreement 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 under the Fiscal Agent Agreement, 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 Treasurer, the Highland Reserve North Community Facilities District No. 1 Special Tax Bonds Improvement Fund to the credit of each 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 or for the cost of the Improvements and incidental expenses described in the resolution of Intention.

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 Project 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 in the Fiscal Agent Agreement as a separate fund to be held by the Fiscal Agent, the Highland Reserve North 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 and delivered to the Fiscal Agent. The Fiscal Agent shall maintain the Costs of Issuance Fund for a period of 45 days from the date of delivery of the Bonds and then shall transfer any moneys remaining therein, including any investment earnings thereon, to the Treasurer for deposit by the Treasurer in the Special Tax Fund.

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 in the Fiscal Agent Agreement 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 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.

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. 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; provided. In the absence of any such Officer's Certificate, the Fiscal Agent shall invest any such moneys in Permitted Investments described in clause (iii) of the definition thereof which by their terms mature prior to the date on which such moneys are required to be paid out under the Fiscal Agent Agreement. Moneys in any fund or account created or established by the Fiscal Agent Agreement and held by the Treasurer shall be invested by the Treasurer in any lawful investments that the City may make, which by their terms mature prior to the date on which such moneys are required to be paid out under the Fiscal Agent Agreement. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account, subject, however, to the requirements of the Fiscal Agent Agreement for transfer of interest earnings and profits resulting from investment of amounts in funds and accounts.

Investments in any and all funds and accounts may be commingled in a separate fund or funds for purposes of making, holding and disposing of investments, notwithstanding provisions in the Fiscal Agent Agreement for transfer to or holding in or to the credit of particular funds or accounts of amounts received or held by the Fiscal Agent or the Treasurer under the Fiscal Agent Agreement, provided that the Fiscal Agent or the Treasurer, as applicable, shall at all times account for such investments strictly in accordance with the funds and accounts to which they are credited and otherwise as provided in 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. On or prior to the date on which the first such calculation and rebate is due, the Fiscal Agent shall request the Finance Director to identify the person or entity that will be responsible for doing rebate calculations with respect to the Bonds (the "Rebate Calculation Agent") The Fiscal Agent shall notify the City in writing of any amounts determined by the Rebate Calculation Agent to be due to the federal government, and shall, upon written direction from the Finance Director, 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 Treasurer 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 $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 shall be made within 30 days after the Fiscal Agent shall have 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

Amendments Permitted. 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 60% in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Fiscal Agent Agreement. No such modification or amendment shall (i) extend the maturity of any Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the City to pay the principal of, and the interest and any premium on, any Bond, without the express consent of the Owner of such Bond, or (ii) permit the creation by the City of any pledge or lien upon the Special Taxes superior to or on a parity with the pledge and lien created for the benefit of the Bonds (except as otherwise permitted by the Act, the laws of the State of California or the Fiscal Agent Agreement), or reduce the percentage of Bonds required for the amendment of the Fiscal Agent Agreement. No such amendment may modify any of the rights or obligations of the Fiscal Agent without its written consent.

The Fiscal Agent Agreement and the rights and obligations of the City and of the Owners may also be modified or amended at any time by a Supplemental Agreement, without the consent of any Owners, only to the extent permitted by law and only for any one or more of the following purposes:

(A) to add to the covenants and agreements of the City in the Fiscal Agent Agreement contained, other covenants and agreements thereafter to be observed, or to limit or surrender any right or power in the Fiscal Agent Agreement reserved to or conferred upon the City;

(B) to make modifications not adversely affecting any outstanding series of Bonds of the City in any material respect;

(C) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Fiscal Agent Agreement, or in regard to questions arising under the Fiscal Agent Agreement, as the City and the Fiscal Agent may deem necessary or desirable, and which shall not adversely affect the rights of the Owners of the Bonds;

(D) to make such additions, deletions or modifications as may be necessary or desirable to assure compliance with Section 148 of the Code relating to required rebate of excess investment earnings to the United States or otherwise as may be necessary to assure exclusion from gross income for federal income tax purposes of interest on the Bonds or to conform with the Regulations.

Procedure for Amendment with Written Consent of Owners. The City and the Fiscal Agent may at any time enter into a Supplemental Agreement amending the provisions of the Bonds or of the Fiscal Agent Agreement or any Supplemental Agreement, to the extent that such amendment is permitted in 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 60% in aggregate principal amount of the Bonds then Outstanding (exclusive of Bonds disqualified) and a notice shall have been mailed as provided in the Fiscal Agent Agreement.

Miscellaneous

Discharge of Agreement. If the City shall pay and discharge 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, 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, 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 shall have been given as in the Fiscal Agent Agreement provided or provision satisfactory to the Fiscal Agent shall have 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 pay all sums due thereon and all amounts owing to the Fiscal Agent; and thereafter Special Taxes shall not be payable to the Fiscal Agent.

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 in the Fiscal Agent Agreement expressly provided, 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 in the Fiscal Agent Agreement expressly provided, 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 in the Fiscal Agent Agreement contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law.

APPENDIX D

THE CITY OF ROSEVILLE

The District is located in the City of Roseville. The financial and economic data for the City is 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 Special Taxes and 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 71,599 in 1999, is the largest city in Placer County as well as the residential and industrial center of the County.

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

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

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 1992 and 1999, the City's population increased 44%, compared to a 23% increase for the County and 8% for the State for the same period. The City's growth in population is shown below.

CITY OF ROSEVILLE POPULATION
1992 through 1999

Year (as of January 1)	City of Roseville
1992	49,500
1993	52,500
1994	54,400
1995	56,479
1996	59,804
1997	62,671
1998	67,388
1999	71,599

Source: City of Roseville.

Employment and Industry

Although employment figures are not available for the City, the unemployment rate in Placer County as of April 1999 was 3.5%. Comparably the unemployment rate for the State as of April 1999 was 5.5%. The following table summarizes the labor force, employment and unemployment figures over the past five years for Placer County, the State and the nation.

LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
Annual Average for Calendar Years 1992 through 1998 and First Quarter of 1999

Year and Area	Civilian Labor Force	Employment	Unemployment	Rate
1992				
Placer County	95,600	87,700	7,900	8.3%
State of California	15,404,300	13,973,300	1,431,000	9.3
United States	128,105,000	118,492,000	9,613,000	7.5
1993				
Placer County	95,200	87,700	7,500	7.9%
State of California	15,359,500	13,918,300	1,441,200	9.4
United States	129,200,000	120,259,000	8,941,000	6.9
1994				
Placer County	99,700	93,200	6,500	6.6%
State of California	15,450,000	14,122,100	1,327,900	8.6
United States	131,056,000	123,060,000	7,996,000	6.1
1995				
Placer County	102,700	96,300	6,400	6.2%
State of California	15,427,200	14,216,700	1,210,500	7.8
United States	132,304,000	124,900,000	7,404,000	5.6
1996				
Placer County	104,100	98,400	5,700	5.4%
State of California	15,596,100	14,469,900	1,126,200	7.2
United States	133,943,000	126,708,000	7,235,000	5.4
1997				
Placer County	111,100	106,000	5,100	4.8%
State of California	15,941,200	14,936,900	1,004,300	6.2
United States	136,297,000	129,558,000	6,739,000	4.9
1998				
Placer County	113,700	109,000	4,700	4.1
State of California	16,329,100	15,360,600	968,500	5.9
United States	137,673,000	131,463,000	6,210,000	4.5
1999(1)				
Placer County	114,500	109,900	4,600	3.5
State of California	16,424,000	15,518,800	905,200	5.5
United States	133,069,000	139,091,000	6,022,000	4.3

Source: California Employment Development Department.

(1) As of April 1999.

The table set forth below shows the distribution of employment by industry in the Placer County labor market.

PLACER COUNTY
EMPLOYMENT BY INDUSTRY
Calendar Years 1993 through 1997

Industry	1993	1994	1995	1996	1997
Mining	200	200	200	100	100
Construction	4,800	4,900	5,200	6,000	6,900
Manufacturing	7,900	8,100	9,200	9,700	10,300
Trans. & Pub. Utilities	3,300	3,800	3,700	3,500	3,600
Wholesale & Retail Sales	16,100	18,900	20,000	22,000	23,100
Finance, Insurance & Real Estate	4,000	4,300	3,900	4,000	4,400
Services	17,100	18,300	19,400	22,800	25,800
Government	12,400	12,500	12,800	13,400	14,600
Total Non-Agricultural	65,800	71,000	74,400	81,600	88,800
Total Agriculture	N/A	300	500	400	500
Total All Industries	65,800	71,300	74,900	82,000	89,300

Source: California Employment Development Department.

As of the date of this Official Statement, 1998 figures for Placer County were not available. However, the California Employment Development Department reports the total number of jobs in the Sacramento Metropolitan Statistical Area (MSA) which includes the counties of Sacramento, El Dorado and Placer.

The total number of jobs in the Sacramento MSA increased from 674,500 jobs in July 1999 to 676,000 jobs in August 1999. The net gain of 1,600 jobs was due to gains in most major industries, which was offset slightly by a decline in farm and transportation employment.

The services industry added 800 jobs, largely due to gains in business services. Manufacturing expanded by 700 jobs due mostly to gains in electronics and food processing. Construction increased by 600 jobs, retail trade by 400 jobs and government by 200 jobs. Somewhat offsetting the increase, farm employment decreased by 1,000 jobs, and the transportation and public utilities industries declined slightly by 100 jobs due to a decrease in trucking and warehousing. All other industries remained stable during the month.

When compared to last year, employment gains continued to remain relatively robust over the year, as 21,700 jobs were added between August 1998 and August 1999. The service industry increased by 7,800 jobs, government by 7,100 jobs and construction by 3,300 jobs. Wholesale trade added 1,100 jobs, while retail trade and the finance, insurance and real estate industries each added 700 jobs. The transportation and public utilities increased by 500 jobs, while manufacturing was up by 400 jobs due to strong gains in the electronics sector and smaller gains in a variety of other durable goods sectors.

The unemployment rate in the Sacramento MSA was down from 4.6 percent in July to 4.0 percent in August 1999, and was below the year-ago estimate of 4.7 percent. The August 1999 estimate compares with the unadjusted unemployment rates of 5.0 percent for California and 4.2 percent for the nation during the same period.

The following table shows the largest employers in the City.

LARGEST EMPLOYERS*

BUSINESS	EMPLOYEES
Hewlett-Packard	4,597
NEC Electronics Inc.	1,500
Sutter Roseville Medical Center	1,412
Kaiser-Permanente	1,394
All Public Schools	1,155
City of Roseville	747
Pride Industries	603
Roseville Communications Co.	601
Union Pacific	580

Source: City of Roseville.

* As of January 1, 1999.

Taxable Sales

Taxable transactions in the City now exceed $1.4 billion annually. A summary of taxable transactions in the City is shown below.

CITY OF ROSEVILLE
TAXABLE TRANSACTIONS
Calendar Years 1993 through 1997 and First Quarter of 1998
(In thousands)

	1993	1994	1995	1996	1997	1998(1)
Apparel	$25,176	$24,663	$24,733	$26,660	$ 31,738	$22,139
General Merchandise	93,148	93,940	104,342	133,497	168,402	119,993
Drug Stores	11,451	12,732	13,215	14,739	-	-
Food Stores	36,419	37,977	37,339	40,119	42,575	33,111
Liquor Stores	1,776	1,237	1,388	-(3)	-(3)	-(3)
Eating and Drinking Places	44,951	51,393	57,742	70,203	84,277	67,854
Home Furnishing and Appliances	13,066	20,406	17,011	17,547	23,796	21,470
Building Materials and Farm Implements	61,478	69,123	78,022	85,910	98,107	79,742
Service Stations	32,793	34,690	36,690	46,504	50,104	38,208
Auto Dealers and Auto Supplies	379,779	446,784	492,629	412,199	543,251	459,898
Miscellaneous	57,237	76,283	88,630	112,568(3))	138,286(3)	118,117(3)
TOTAL RETAIL OUTLETS	$757,274	$869,228	$951,741	$91,039,946	$1,180,536	$960,532
ALL OTHER OUTLETS	$113,635	$169,233	$205,168	$215,787	$ 296,081	$ 245,417
TOTAL ALL OUTLETS	$870,909	$1,038,461	$1,156,909	$1,255,733	$1,476,617	$459,909
TOTAL NUMBER OF PERMITS(2)	2,022	2,099	2,184	2,315	2,471	2,423

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(1) Figures represent transactions through the first, second and third quarter only.
(2) Not in thousands.
(3) Sales totals for some classes of retail businesses are not shown in this table because their publication would result in the disclosure of confidential information. These totals are included with Miscellaneous unless otherwise indicated.

Source: California State Board of Equalization.

The City issued building permits valued in excess of $502,311,000 in 1998. Of this total dollar volume, approximately 68% consisted of new residential construction.

CITY OF ROSEVILLE
BUILDING PERMIT VALUATIONS
Calendar Years 1994 through 1998 and First Half of 1999
(In thousands)

	1994	1995	1996	1997	1998	1999(1)
Residential						
Single Family	$184,134	$205,231	$248,357	$265,817	$342,595	$63,213
Multi Family	3,128	0	0	19,284	30,707	9,048
Alterations/Additions	2,827	4,225	4,243	4,216	4,054	5,275
Total	$190,089	$209,457	$252,952	$289,319	$377,357	$72,789
Non-Residential						
New Commercial	$16,677	$40,619	$22,164	$35,691	$81,526	$43,845
New Industrial	12,986	1,478	2,948	15,045	5,418	1,455
Other(2)	2,542	6,380	8,966	6,506	8,125	3,523
Alterations/Additions	20,825	20,678	26,954	19,069	29,883	17,981
Total	$53,030	$69,156	$61,032	$76,312	$124,954	$66,806
Single Family Units(3)	1,309	1,416	1,607	1,688	2,034	329
Multi-family Units(3)	56	0	0	330	440	164
Total(3)	1,365	1,416	1,607	2,018	2,474	493

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(1) Through June 1999 only.

(2) Includes churches and religious buildings, hospitals and institutional buildings, schools and educational buildings, residential garages, public works and utilities buildings and non-residential alterations and additions.

(3) Not in thousands.

Source: Construction Industry Research Board.

The following table summarizes assessed valuations in the City for Fiscal Years 1992-1993 through 1998-99.

CITY OF ROSEVILLE
SUMMARY OF ASSESSED VALUATIONS
Fiscal Years 1992-93 through 1998-99
(In thousands)

Fiscal Year	Secured Valuation	Public Utility	Unsecured Valuation	Total Assessed Valuation
1992-93	$ 3,555,161	$ 11,230	$ 131,700	$ 3,771,142
1993-94	3,740,136	12,547	122,007	3,949,595
1994-95	3,936,917	12,156	153,379	4,181,516
1995-96	4,440,430	12,536	156,872	4,695,131
1996-97	4,821,480	11,123	172,403	5,098,009
1997-98	5,197,710	14,030	192,812	5,404,552
1998-99	5,796,384	16,240	215,203	6,027,829

Source: County of Placer Auditor-Controller.
California Municipal Statistics, Inc.

The following is a history of property tax levies and collections in the City for Fiscal Years 1992-93 through 1997-98.

CITY OF ROSEVILLE
PROPERTY TAX LEVIES AND COLLECTIONS
Fiscal Years 1992-93 through 1997-98
(In thousands)

Fiscal Year	Total Levies	Total Collections	Percent Delinquent
1992-93	$6,054	$5,670	6.3
1993-94	5,512	5,052	8.3
1994-95	5,908	6,049	(-2.4)(1)
1995-96	6,591	6,580	0.17
1996-97	6,956	6,166	2.63
1997-98	7,363	6,764	2.03

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(1) Reflects one-time Teeter payment from County of Placer.
Source: County of Placer Auditor-Controller.

Set forth below is a list of the ten largest taxpayers in Placer County, by 1998-99 property tax levy.

COUNTY OF PLACER
TEN LARGEST TAXPAYERS
Fiscal Year 1998-99

Taxpayer	1998-99 Tax Levy
NEC Electronics USA Inc.(1)	$7,010,115
Pacific Gas and Electric Co.	4,301,823
Hewlett Packard Co. (1)	3,184,893
Richland Irvine Inc.	2,251,858
Kaiser Foundation Hospitals(1)	2,093,857
Stanford Ranch 1 LLC	1,493,456
Roseville Telephone Company(1)	1,331,682
Pacific Bell	1,172,291
Diamond Creek Partners Ltd.	1,073,386
Evergreen – Creekside LLC	894,158

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

APPENDIX E

[FORM OF BOND COUNSEL OPINION]

________ 1999

City of Roseville
311 Vernon Street
Roseville, California 95678

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

OPINION: $_________ City of Roseville Highland Reserve North Community Facilities District No. 1 Special Tax Bonds, Series 1999

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the City of Roseville (the "City") of its $_________ City of Roseville Highland Reserve North Community Facilities District No. 1 Special Tax Bonds, Series 1999 (the "Bonds") pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 et seq., of the California Government Code) (the "Act"), and a Fiscal Agent Agreement, dated as of September 1, 1999 (the "Fiscal Agent Agreement"), by and between the City on behalf of the City of Roseville Highland Reserve North Community Facilities District No. 1 and U.S. Trust Company, National Association, as fiscal agent. We have examined the law and such certified proceedings and other documents 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 certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

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

1. The City is 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 for the security of the Bonds.

5. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings. The opinions set forth in the preceding sentence are subject to the condition that the 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 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 also may be subject to the exercise of judicial discretion in appropriate cases.

Respectfully submitted,

COX, CASTLE & NICHOLSON LLP

APPENDIX F
FORM OF CONTINUING DISCLOSURE AGREEMENT
(City)

THIS CONTINUING DISCLOSURE AGREEMENT (the "Disclosure Agreement") is dated as of October 1, 1999, 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 U.S. Trust Company, National Association, a national banking association duly organized and validly existing under the laws of the United States (the "Bank"), in its capacity as Fiscal Agent (the "Fiscal Agent") and in its capacity as Dissemination Agent (the "Dissemination Agent").

WITNESSETH:

WHEREAS, pursuant to the Fiscal Agent Agreement, dated as of October 1, 1999 (the "Agreement"), by and between the City and the Fiscal Agent, the City has issued its City of Roseville Highland Reserve North Community Facilities District No. 1 Special Tax Bonds Series 1999 (the "Bonds"), in the aggregate principal amount of $33,470,000; 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 September 28, 1999, 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, 1999, 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 a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder. The Dissemination Agent may conclusively rely upon such certification 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 capitalized interest fund or account.

4. Balance in debt service reserve fund, and statement of the reserve fund requirement. Statement of projected reserve fund draw, if any.

5. Balance in other funds and accounts held by Issuer or fiscal agent related to the Bonds.

6. Additional debt authorized by the City and payable from or secured by assessments or special taxes with respect to property within the District.

7. The Special Tax levy, the delinquency rate, total amount of delinquencies, number of parcels delinquent in payment.

8. **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.

9. Most recently available assessed value of all parcels subject to the special tax or assessment.

10. 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 HIGHLAND RESERVE NORTH 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, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults.
3. 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) The Fiscal Agent shall, after obtaining actual knowledge of the occurrence of any of the Listed Events, without any determination as to materiality, contact the Disclosure Representative, inform such person of the event, and request that the City promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (f). For purposes of this Disclosure Agreement, "actual knowledge" of the occurrence of such Listed Events shall mean knowledge by an officer at the Principal Office of the Fiscal Agent with regular responsibility for administration of matters related to the Agreement.

(c) Whenever the City obtains knowledge of the occurrence of a Listed Event, whether because of a notice from the Fiscal Agent pursuant to subsection (b) or otherwise, 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.

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

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

(f) If the Dissemination Agent has been instructed by the City to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the Repository. Notwithstanding the foregoing:

(i) notice of the occurrence of a Listed Event described in subsections (a)(1), (4) or (5) shall be given by the Dissemination Agent unless the City gives the Dissemination Agent affirmative instructions not to disclosure such occurrence; and

(ii) notice of Listed Events described in subsections (a)(4) and (5) shall not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Holders of affected Bonds pursuant to the Agreement.

SECTION 5. Termination of Reporting Obligation. The obligations of the City, the Dissemination Agent and the Fiscal 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(f) 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, the City and the Fiscal Agent.

SECTION 7. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the City, the Dissemination Agent and the Fiscal Agent may amend this Disclosure Agreement (and the Dissemination Agent and Fiscal 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 or the Fiscal 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. Default. In the event of a failure of the City to comply with any provision of this Disclosure Agreement, the Fiscal Agent shall at the written direction of any Participating Underwriter or the holders of at least 25% aggregate principal amount of Outstanding Bonds (but only to the extent indemnified to its satisfaction from any cost, liability or expense, including without limitation fees and expenses of its attorneys) take such actions, or any Holder or Beneficial Owner of the Bonds may take such actions, as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed and Event of Default under the Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the City or the Fiscal Agent to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 10. Duties, Immunities and Liabilities of Fiscal Agent and Dissemination Agent. The Dissemination Agent and the Fiscal Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the City agrees to indemnify and save the Dissemination Agent and the Fiscal Agent, their 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 or Fiscal Agent's respective 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 City, the Bondholders, or any other party. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent or the Fiscal Agent and payment of the Bonds.

SECTION 11. 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
Attention: Finance Director

To the Fiscal Agent:

U.S. Trust Company, National Association
One Embarcadero Center, Suite 2050
San Francisco, California 94111
Attention: Corporate Trust Division

To the Dissemination Agent: U.S. Trust Company, National Association
One Embarcadero Center, Suite 2050
San Francisco, California 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 12. 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 13. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

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 North Roseville Community
Facilities District No. 1

By: ______________________________
Finance Director

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

By: ______________________________
Authorized Officer

U.S. TRUST COMPANY, NATIONAL ASSOCIATION,
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:	$_____________ City of Roseville Highland Reserve North Community Facilities District No. 1 Special Tax Bonds Series 1999
Date of Issuance:	_____________, 1999

NOTICE IS HEREBY GIVEN that the City of Roseville (the "City") on behalf of City of Roseville Highland Reserve North 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, 1999, by and between the City and U.S. Trust Company, National Association, as Fiscal Agent. The City anticipates that the Annual Report will be filed by ____________.

Dated: ______________

U.S. TRUST COMPANY, NATIONAL ASSOCIATION,
as Fiscal Agent, on behalf of City of Roseville Highland
Reserve North Community Facilities District No. 1

By: ____
Authorized Officer

cc: City of Roseville

FORM OF CONTINUING DISCLOSURE AGREEMENT
(Developer)

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered by Highland Reserve North, L.P. (the "Developer") on behalf of itself and Oakville Reserve Ltd. in connection with the issuance by the City of Roseville (the "Issuer") of its $33,470,000 Highland Reserve North Community Facilities District No. 1 Special Tax Bonds, Series 1999 (the "Bonds"). The Bonds are being issued pursuant to a Fiscal Agent Agreement dated as of October 1, 1999 (the "Agreement") between the Issuer and U.S. Trust Company, National Association, as fiscal agent (the "Fiscal Agent"). The Developer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Developer to assist in the marketing of the Bonds.

SECTION 2. 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 3 and 4 of this Disclosure Agreement.

"Dissemination Agent" shall mean an entity selected and retained by the Issuer, or any successor thereto, notice of which selection is given by the Issuer to the Developer. Absent further notice, the Dissemination Agent is U.S. Trust Company, National Association.

"Issuer" shall mean the City of Roseville, Placer County, California.

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

"Project" shall mean the development within the Highland Reserve North Community Facilities District No. 1 described in the Official Statement dated September 28, 1999 with respect to the Bonds for each Developer.

SECTION 3. Provision of Annual Reports.

(a) The Developer shall, not later than April 1 after the end of the Developer's fiscal year, commencing with the report for 1999 (which for the Developer is the calendar year and thus will require this action by April 1, 2000), provide to the Dissemination Agent an Annual Report which is consistent with the requirements of Section 4 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 5(c).

(b) If the Developer is unable to provide to the Dissemination Agent an Annual Report by the date required in subsection (a), the Developer shall send a notice to the Dissemination Agent substantially the form attached as Exhibit A.

SECTION 4. Content of Annual Reports. The Developer's Annual Report shall contain or incorporate by reference the following, if material:

(a) Any significant changes in the information contained in the Official Statement under the headings: "THE DISTRICT – Anticipated Development Under the Highland Reserve North Specific Plan" "— Anticipated Subdivision Maps and Commencement of Development in the District" and "OWNERSHIP OF PROPERTY WITHIN THE DISTRICT." The status of completion of the Improvements (as defined in the Official Statement).

(b) An update to the table "Developer's Projected Land Sale Proforma" appearing on or about page 45 of the Official Statement; such update shall be for the years shown and shall reflect approximate actual data for the years which have concluded and updated projections for the years to come.

(c) A description of the status of development of each parcel owned by the Developer within the District.

(d) A description of any sales of property within the District by the Developer since the previous Annual Report, and the status of any land purchase contracts with regard to property within the District owned by the Developer.

(e) A description of any change in the legal structure of the Developer.

(f) Material changes in the costs of the Improvements with a statement to the best of Developer's knowledge as to the sufficiency of available funds to complete the Improvements as contemplated and source of financing of project costs not funded from Bond proceeds.

(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 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, 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 6. Termination of Reporting Obligation. The Developer's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. In addition the Developer shall have no obligations hereunder if the Special Tax of the District on all property within the District owned by the Developer and affiliates or partners thereof is less than twenty percent (20%) of the total Special Tax for the entire District. If such termination occurs prior to the final maturity of the Bonds, the Developer shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

SECTION 7. Amendment: Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Developer may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements 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 8. 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 9. Default. In the event of a failure of the Developer to comply with any provision of this Disclosure Agreement any Bondholder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Developer to comply with its obligations under this Disclosure Agreement. The sole remedy under this Disclosure Agreement in the event of any failure of the Developer to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 10. 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 a certificate substantially in the form of this Disclosure Agreement, unless this Disclosure Agreement, as it may have been amended, by its own terms would not require the purchaser to provide any disclosure. Failure of the Developer to obtain such a certificate from its purchaser shall not, however, prevent the sale of the property from closing.

SECTION 11. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the Developer	Highland Reserve North L.P. 2220 Douglas Boulevard, Suite 290 Roseville, CA 95661 Attention: Stephen Thurtle
To the Fiscal Agent:	U.S. Trust Company, National Association 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 12. 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.

Dated: ________________, 1999

HIGHLAND RESERVE NORTH L.P..

By: ________________________________

Its: ________________________________

#16978

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Roseville

Name of Bond Issue: $____________ City of Roseville, Roseville Community Facilities District No. 1, Special Tax Bonds, Series 1999

Date of Issuance: ____________, 1999

NOTICE IS HEREBY GIVEN that the __________________ (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

DO NOT STAPLE THIS FORM

MSRB

FORM G-36(OS) – FOR OFFICIAL STATEMENTS

107519

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: 10-8-99 (b) DATE SENT TO MSRB: 10-8-99

2. ☐ 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 STATE: CA
DESCRIPTION OF ISSUE: HIGHLAND RESERVE NORTH CFD #1 SPEC TAX BDS SER 1999 DATED DATE: 10/1/99

B. NAME OF ISSUER: ______ STATE: ______
DESCRIPTION OF ISSUE: ______ DATED DATE: ______

C. NAME OF ISSUER: ______ STATE: ______
DESCRIPTION OF ISSUE: ______ DATED DATE: ______

SECTION III – TRANSACTION INFORMATION

A. LATEST FINAL MATURITY DATE OF ALL SECURITIES IN OFFERING: 9/1/25

B. DATE OF FINAL AGREEMENT TO PURCHASE, OFFER OR SELL SECURITIES (Date of Sale): 9/29/99

C. ACTUAL OR EXPECTED DATE OF DELIVERY OF SECURITIES TO UNDERWRITER(S) (Bond Closing): 10/19/99

D. 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: 8-03149

B. TOTAL PAR VALUE OF ALL SECURITIES IN OFFERING: $ 33,470,000.00

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.

CONTINUED ON OTHER SIDE

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
9/1/01	777870 DR4				
02	DS2				
03	DT0				
04	DU7				
05	DV5				
06	DW3				
11	EA0				
25	EB8				

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 AN THAT ALL OTHER INFORMATION CONTAINED HEREIN IS TRUE AND CORRECT. THE UNDERSIGNED ACKNOWLEDGES THAT SAI MATERIALS WILL BE PUBLICLY DISSEMINATED.

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