

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

\$7,075,000
CITY OF ROSEVILLE
DIAMOND CREEK COMMUNITY FACILITIES DISTRICT NO. 1
(PUBLIC FACILITIES)
SPECIAL TAX BONDS
SERIES 2007

Dated: Date of Delivery

Due: September 1, as shown below

The bonds captioned above (the "Bonds"), are being issued by the City of Roseville (the "City") by and through its Diamond Creek Community Facilities District No. 1 (Public Facilities) (the "District"). The Bonds are special tax obligations of the City, authorized pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, being California Government Code Section 53311, et seq. (the "Act"), and are issued pursuant to a Fiscal Agent Agreement dated as of May 1, 2007 (the "Fiscal Agent Agreement") by and between the City and The Bank of New York Trust Company, N.A., as fiscal agent (the "Fiscal Agent"). The Bonds are issued to (i) construct and acquire certain public facilities of benefit to the District; (ii) provide for the establishment of a reserve fund, (iii) provide capitalized interest, and (iv) pay the costs of issuance of the Bonds. Interest on the Bonds is payable on September 1, 2007, and thereafter semiannually on March 1 and September 1 of each year.

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

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

Property in the District subject to the Special Tax comprises approximately 19 acres of undeveloped land in the City planned for development into 131 single-family residential lots, eight townhouse lots, and a multi-story, mixed-use commercial and residential building complex with ground level retail/office space and up to 352 residential condominium units situated above the commercial space. The property is currently undeveloped and zoned for the planned uses. See "THE DISTRICT" and "OWNERSHIP OF PROPERTY WITHIN THE DISTRICT."

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

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

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

MATURITY SCHEDULE

Maturity Date (September 1)	Principal Amount	Interest Rate	Yield	CUSIP [†] (777870)
2009	\$ 20,000	3.900%	4.000%	SF 4
2010	30,000	4.000	4.100	SG 2
2011	40,000	4.125	4.250	SH 0
2012	45,000	4.250	4.350	SJ 6
2013	60,000	4.300	4.400	SK 3
2014	70,000	4.400	4.500	SL 1
2015	80,000	4.450	4.550	SM 9
2016	90,000	4.500	4.600	SN 7
2017	105,000	4.600	4.700	SP 2
2018	120,000	4.650	4.750	SQ 0
2019	135,000	4.700	4.800	SR 8
2020	150,000	4.750	4.850	SS 6
2021	165,000	4.800	4.900	ST 4

\$1,115,000 5.000% Term Bond Due September 1, 2026; Yield: 4.980% CUSIP[†]: 777870 SU 1

\$4,850,000 5.000% Term Bond Due September 1, 2037; Yield: 5.030% CUSIP[†]: 777870 SV 9

[†] Copyright 2007, American Bankers Association. CUSIP data herein are provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc., and are provided for convenience of reference only. Neither the City nor the Underwriter assumes any responsibility for the accuracy of these CUSIP data.

The Bonds are offered when, as and if issued, subject to approval as to their legality by Jones Hall, a Professional Law Corporation, San Francisco, California, Bond Counsel. Certain legal matters will also be passed on by Jones Hall, as Disclosure Counsel. Certain legal matters will be passed upon for the City by the City Attorney. It is anticipated that the Bonds will be available for delivery to DTC on or about May 9, 2007 in New York, New York.

PiperJaffray

The date of this Official Statement is April 25, 2007.

CITY OF ROSEVILLE, CALIFORNIA

City Council

Jim Gray, *Mayor*
Gina Garbolino, *Vice Mayor*
John Allard, *Councilmember*
Carol Garcia, *Councilmember*
Richard Roccucci, *Councilmember*

City Staff

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

SPECIAL SERVICES

Fiscal Agent

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

Bond Counsel

Jones Hall, A Professional Law Corporation
San Francisco, California

Financial Advisor

Public Financial Management, Inc.
San Francisco, California

Appraiser

Seevers Jordan Ziegenmeyer
Rocklin, California

Special Tax Consultant

Goodwin Consulting Group
Sacramento, California

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

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

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

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

Involvement of Underwriter. The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, their responsibilities to investors under the Federal Securities Laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof. All summaries of the documents referred to in this Official Statement, are made subject to the provisions of such documents, respectively, and do not purport to be complete statements of any or all of such provisions.

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

SECURITIES PRODUCTS AND SERVICES ARE OFFERED THROUGH PIPER JAFFRAY & CO., MEMBER SIPC AND NYSE, INC.

PIPER JAFFRAY & CO. SINCE 1895. MEMBER SIPC AND NYSE.

TABLE OF CONTENTS

INTRODUCTION	1
THE BONDS	4
Authority for Issuance	4
Description of the Bonds	5
Redemption	6
Transfer or Exchange of Bonds	8
ESTIMATED SOURCES AND USES OF FUNDS	9
SECURITY AND SOURCES OF PAYMENT FOR THE BONDS	10
Special Taxes	10
Special Tax Methodology	11
Levy of Annual Special Tax; Maximum Facilities Special Tax	12
Special Tax Fund	13
Deposit and Use of Proceeds of Bonds	13
Delinquent Payments of Special Tax; Covenant for Superior Court Foreclosure	14
Reserve Fund	15
Improvement Fund	16
Additional Bonds	16
DEBT SERVICE SCHEDULE	17
THE DISTRICT	18
Formation of the District	18
Location and Description of the District and the Immediate Area	18
Anticipated Development in the District	21
Development Agreement	23
Environmental Matters	23
THE IMPROVEMENTS	24
Eligible Facilities	24
Estimated Cost of the Improvements	24
Payment or Construction and Acquisition of the Improvements	25
OWNERSHIP OF PROPERTY WITHIN THE DISTRICT	25
The Developer	25
APPRAISAL OF PROPERTY WITHIN THE DISTRICT	26
The Appraisal	26
Value to Special Tax Burden Ratios	28
Overlapping Liens and Priority of Lien	29
SPECIAL RISK FACTORS	31
Limited Obligation of the City to Pay Debt Service	31
Concentration of Ownership	32
Appraised Values	32
Property Values and Property Development	32
Bankruptcy and Foreclosure Delays	35
Parity Taxes and Special Assessments; Private Debt	35
Tax Delinquencies	36
No Acceleration Provisions	37
Ballot Initiatives	37
Proposition 218	37
CONSTITUTIONAL LIMITATIONS ON TAXATION AND APPROPRIATIONS	38
CONTINUING DISCLOSURE	39
UNDERWRITING	39
FINANCIAL ADVISOR	40
LEGAL OPINION	40
TAX MATTERS	40
RATINGS	41
NO LITIGATION	41
EXECUTION	42
APPENDIX A - RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX	
APPENDIX B - THE APPRAISAL	
APPENDIX C - SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT	
APPENDIX D - THE CITY OF ROSEVILLE AND PLACER COUNTY	
APPENDIX E - FORM OF OPINION OF BOND COUNSEL	
APPENDIX F - FORM OF CONTINUING DISCLOSURE UNDERTAKINGS	
APPENDIX G - THE BOOK ENTRY SYSTEM	

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OFFICIAL STATEMENT

\$7,075,000
CITY OF ROSEVILLE
DIAMOND CREEK COMMUNITY FACILITIES DISTRICT NO. 1
(PUBLIC FACILITIES)
SPECIAL TAX BONDS
SERIES 2007

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 Diamond Creek Community Facilities District No. 1 (Public Facilities) (the “**Community Facilities District**” or the “**District**”) of the bonds captioned above (the “**Bonds**”).

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

INTRODUCTION

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

Creation of the District. The Bonds are issued pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982, as amended (Sections 53311, *et seq.*, of the Government Code of the State of California) (the “**Act**”) and pursuant to a Fiscal Agent Agreement dated as of May 1, 2007 (the “**Fiscal Agent Agreement**”) between the City and The Bank of New York Trust Company, N.A., San Francisco, California, as fiscal agent (the “**Fiscal Agent**”) and Resolution No. 07-159 (the “**Resolution**”) adopted on April 4, 2007 by the City Council of the City (the “**City Council**”) which authorized the issuance of a maximum of \$7,850,000 of bonds payable from Special Taxes (as defined herein) levied on property within the District according to a methodology approved by the City. No additional bonds (excluding possible refunding bonds) are allowed to be issued in the future under the Fiscal Agent Agreement.

Bond Terms. The Bonds will be dated as of and bear interest from the date of delivery thereof at the rate or rates set forth on the cover page of this Official Statement. Interest on the Bonds is payable on March 1 and September 1 of each year (each an “**Interest Payment Date**”), commencing September 1, 2007. The Bonds will be issued without coupons in denominations of \$5,000 or any integral multiple thereof.

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

Use of Proceeds. Proceeds of the Bonds will primarily be used to finance the cost of acquiring and constructing certain public infrastructure improvements (the “**Improvements**,” as described herein), generally including drainage, water, sewer, wet and dry utilities, concrete curbs, gutters and sidewalks, street lighting, landscaping, masonry walls, erosion control, signing and striping, traffic signals, and other miscellaneous improvements. The property has been graded and construction of the Improvements is projected to begin by May of 2007. Proceeds of the Bonds may also be used to finance the certain development fees for parks, at the discretion of the City. The cost of a portion of the Improvements will be reimbursed by the proceeds of the Bonds, and the Developer (described herein) is required to fund any remaining shortfall. See “THE IMPROVEMENTS.” Proceeds of the Bonds will also be used to establish a reserve fund (described below) available for payment on the Bonds, to provide capitalized interest until September 1, 2008 and to pay cost of issuance of the Bonds.

Source of Payment of the Bonds. The Bonds are payable from Facilities Special Taxes (herein, the “**Special Tax**” or “**Special Taxes**”) defined in the rate and method of apportionment of Special Tax for the District (the “**Special Tax Formula**”) which are to be levied by the City on taxable real property within the boundaries of the District. The Bonds are also payable from the proceeds of any foreclosure actions brought following a delinquency in payment of the Special Taxes, and from amounts held in certain funds and accounts pursuant to the Fiscal Agent Agreement, including a reserve fund, all as more fully described herein. The Special Tax applicable to each taxable parcel in the District will be levied and collected according to the tax liability determined by the City Council through the application of a rate and method of apportionment of Special Tax for the District set forth in the Special Tax Formula which has been approved by the City. The Special Tax Formula is set forth in APPENDIX A hereto. The Special Taxes represent liens on the parcels of land subject to a Special Tax and failure to pay the Special Taxes could result in proceedings to foreclose the delinquent property. The Special Taxes do not constitute the personal indebtedness of the owners of taxed parcels. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Special Tax Methodology” and “APPENDIX A — RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.” The maximum authorized indebtedness for the District is \$7,850,000 million; no additional bonds (excluding possible refunding bonds) are allowed to be issued in the future under the Fiscal Agent Agreement.

In the Fiscal Agent Agreement, the City directs the Fiscal Agent to establish a Reserve Fund (the “**Reserve Fund**”) from Bond proceeds in the amount of the Reserve Requirement, which amount is available to be transferred to the Bond Fund in the event of delinquencies in the payment of the Special Taxes, to the extent of such delinquencies. The Reserve Fund is required to be maintained at the Reserve Requirement from moneys available under the Fiscal Agent Agreement. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Reserve Fund.” If there are additional delinquencies after depletion of funds in the Reserve Fund, the City is not obligated to pay the Bonds or supplement the Reserve Fund.

Property Subject to the Special Tax. The District consists of a master planned project within the City’s North Roseville Specific Plan area, to be known as Diamond Creek Villages. The property is presently a single parcel of approximately 19.09 acres located along the east line of Diamond Creek Boulevard, north of Blue Oaks Boulevard. The land in the District is currently undeveloped, and planned for development into 131 single-family residential lots, eight townhouse lots, and a 6.52-acre site planned for the construction of multi-story, mixed-use commercial and residential buildings with ground level retail/office space and up to 352 residential condominium units (including up to 50 affordable housing units) situated above the commercial space. All of the land in the District was master planned by Diamond Creek Partners, Ltd., Roseville, California (“**Diamond Creek Partners**” or the “**Developer**”). The Developer has entered into a contract for sale of the land planned for the 131 single-family residential lots to Centex Homes, with home development on the sale property projected to begin in Summer 2007. The Developer has not yet decided if it will build the condominium/townhouse/retail portion of the project. The condominiums and townhomes are ultimately expected to be sold to homeowners and the Developer presently intends to retain the retail portion of the project. The Developer expects that construction of the mixed-use buildings will begin in the second quarter of 2008 and projects sales to begin concurrently. Initial closings are expected to begin by Summer 2009. See “THE DISTRICT.”

Appraised Value of Property. Property in the District is security for the Special Tax. The City authorized the preparation of an appraisal report for the real property within the District, which sets forth a total bulk sale discounted value of property in the District of \$31,100,000, as of February 22 2007. The valuation assumes completion of the Improvements funded by the Bonds and accounts for the impact of the lien of the Special Tax securing the Bonds. See “THE IMPROVEMENTS.” In considering the estimates of value evidenced by the appraisal, it should be noted that the appraisal is based upon a number of standard and special assumptions which affected the estimates as to value, in addition to the assumption of completion of the Improvements. The Improvements to be paid for with proceeds of the Bonds are not substantially complete. See “APPRAISAL OF PROPERTY WITHIN THE DISTRICT” and Appendix B. The appraised bulk sale valuation of property in the District is 3.95 times the \$7,075,000 aggregate principal amount of the Bonds and other overlapping debt secured by the property, as described herein. See “APPRAISAL OF PROPERTY WITHIN THE DISTRICT – Overlapping Liens and Priority of Lien.”

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

Limited Obligation of the City. The general fund of the City is not liable and the full faith and credit of the City is not pledged for the payment of the interest on, or principal of or redemption premiums, if any, on the Bonds. The Bonds are not secured by a legal or equitable pledge of or charge, lien or encumbrance upon any property of the

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

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

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

THE BONDS

Authority for Issuance

The Bonds are issued pursuant to the Fiscal Agent Agreement, approved by Resolution No. 07-159 adopted by the City Council on April 4, 2007, and the Act.

On April 4, 2007, the City Council adopted Resolution No. 07-155 (the "**Resolution of Formation**"), which formed the District. The District was established and authorized to incur bonded indebtedness in an aggregate principal amount not to exceed \$7,850,000 at a special election in the District held on the same day. Under the provisions of the Act, since there were fewer than 12 registered voters residing within the District at a point during the 90-day period preceding the adoption of the Resolution of Formation, the qualified electors entitled to vote in the special election consisted of the Developer. The landowner voted to incur the indebtedness and to approve the annual levy of Special Taxes to be collected within the District, for the purpose of paying for the Improvements, including repaying any indebtedness of the District, replenishing the Reserve Fund and paying the administrative expenses of the District. See

“THE DISTRICT” herein. The Bonds are the first and only series to be issued under the authorization; no additional bonds are expected to be issued.

Description of the Bonds

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

Interest on the Bonds will be payable semiannually on March 1 and September 1 of each year (each an “**Interest Payment Date**”), commencing September 1, 2007. The principal of the Bonds and premiums due upon the redemption thereof, if any, will be payable in lawful money of the United States of America at the principal corporate trust office of the Fiscal Agent in San Francisco, California, or such other place as designated by the Fiscal Agent, upon presentation and surrender of the Bonds; provided that so long as any Bonds are in book-entry form, payments with respect to such Bonds will be made by wire transfer, or such other method acceptable to the Fiscal Agent, to DTC.

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

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

Each Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof unless (i) it is authenticated on an Interest Payment Date, in which event it will bear interest from such date of authentication, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the Record Date preceding such Interest Payment Date, in which event it will bear interest from such Interest Payment Date, or (iii) it is authenticated prior to the Record Date preceding the first Interest Payment Date, in which event

it will bear interest from the Dated Date; provided, however, that if at the time of authentication of a Bond, interest is in default thereon, such Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon. So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, payments of the principal, premium, if any, and interest on the Bonds will be made directly to DTC, or its nominee, Cede & Co. Disbursements of such payments to DTC's Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC's Participants and Indirect Participants, as more fully described herein. See "APPENDIX G – BOOK ENTRY SYSTEM" below.

Redemption

Optional Redemption. The Bonds are subject to optional redemption from any source of available funds prior to maturity, in whole, or in part among maturities as specified by the City and by lot within a maturity, on any Interest Payment Date on or after September 1, 2007, 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, 2007 through March 1, 2015	103%
September 1, 2015 and March 1, 2016	102
September 1, 2016 and March 1, 2017	101
September 1, 2017 and Interest Payment Dates thereafter	100

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

Redemption Dates	Redemption Price
September 1, 2007 through March 1, 2015	103%
September 1, 2015 and March 1, 2016	102
September 1, 2016 and March 1, 2017	101
September 1, 2017 and Interest Payment Dates thereafter	100

Mandatory Sinking Fund Redemption. The Term Bonds maturing September 1, 2026 and 2037 are subject to mandatory sinking payment redemption in part on September 1, 2022 and 2027 respectively, and on each September 1 thereafter to maturity, by lot, at a redemption price equal to 100% of the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts as set forth in the following tables:

Bonds Maturing September 1, 2026

Mandatory Redemption Date (September 1)	Sinking Fund Payment
2022	\$185,000
2023	200,000
2024	220,000
2025	245,000
2026 (maturity)	265,000

Bonds Maturing September 1, 2037

Mandatory Redemption Date (September 1)	Sinking Fund Payment
2027	\$290,000
2028	315,000
2029	340,000
2030	370,000
2031	400,000
2032	430,000
2033	465,000
2034	500,000
2035	540,000
2036	580,000
2037 (maturity)	620,000

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

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

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

Such notice will state the redemption date and the redemption price and, if less than all of the then Outstanding Bonds are to be called for redemption, will designate the CUSIP numbers and Bond numbers of the Bonds to be redeemed by giving the individual CUSIP number and Bond number of each Bond to be redeemed or will state that all Bonds between two stated Bond numbers, both inclusive, are to be redeemed or that all of the Bonds of one or

more maturities have been called for redemption, will state as to any Bond called in part the principal amount thereof to be redeemed, and will require that such Bonds be then surrendered at the Principal Office of the Fiscal Agent for redemption at the said redemption price, and will state that further interest on such Bonds will not accrue from and after the redemption date.

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

Whenever provision is made in the Fiscal Agent Agreement for the redemption of less than all of the Bonds of any maturity, the Fiscal Agent will select the Bonds to be redeemed, from all Bonds or such given portion thereof of such maturity by lot in any manner which the Fiscal Agent in its sole discretion deems appropriate. Upon surrender of Bonds redeemed in part only, the City will execute and the Fiscal Agent will authenticate and deliver to the registered Owner, at the expense of the City, a new Bond or Bonds, of the same series and maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond or Bonds.

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

Transfer or Exchange of Bonds

So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, transfers and exchanges of Bonds will be made in accordance with DTC procedures. See "Appendix G" below. Any Bond may, in accordance with its terms, be transferred or exchanged by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a duly written instrument of transfer in a form approved by the Fiscal Agent. Whenever any Bond or Bonds are surrendered for transfer or exchange, the City will execute and the Fiscal Agent will authenticate and deliver a new Bond or Bonds, for a like aggregate principal amount of Bonds of authorized denominations and of the same maturity. The cost for any services rendered or any expenses incurred by the Fiscal Agent in connection with any such transfer or exchange will be paid by the City. The Fiscal Agent will collect from the Owner requesting such transfer any tax or other governmental charge required to be paid with respect to such transfer or exchange.

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

ESTIMATED SOURCES AND USES OF FUNDS

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

Estimated Sources of Funds:

Principal Amount of Bonds	<u>\$7,075,000.00</u>
Less Original Issue Discount	<u>(30,074.55)</u>
Total	\$7,044,925.45

Estimated Uses of Funds:

Deposit to Improvement Fund	\$5,622,000.00
Deposit to Reserve Fund	614,395.26
Deposit to Bond Fund ⁽¹⁾	457,397.50
Costs of Issuance ⁽²⁾	<u>351,132.69</u>
Total	\$7,044,925.45

⁽¹⁾ Represents an amount scheduled to provide for interest up to and including September 1, 2008.

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

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Special Taxes

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

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

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

The Special Tax Formula also provides for the levy of a “Services Special Tax” to pay for Authorized Services (as defined in the Special Tax Formula) which has been authorized by the qualified electors within the District, as set forth in the Special Tax Formula. The Services Special Tax is not security for the Bonds. The Maximum Services Special Tax for all Parcels of Developed Property in Fiscal Year 2007-08 is \$18 per Unit (including Affordable Units) or Buildable Lot. The Services Special Tax shall only be levied on Single Family Detached Property, Single Family Attached Property, and Multi-Family Property within the District.

The City may annually levy the Special Tax in an amount up to the annual Maximum Facilities Special Tax rate, which has been authorized by the qualified electors within the District, as set forth in the Special Tax Formula, if conditions so require. The City has covenanted to annually levy the Special Taxes in an amount at least sufficient to pay the Facilities Special Tax Requirement (as defined below). Because each Special Tax levy is limited to the annual Maximum Facilities Special Tax rates authorized as set forth in the Special Tax

Formula, no assurance can be given that, in the event of Special Tax delinquencies, the amount of the Special Tax Requirement will in fact be collected in any given year. See “SPECIAL RISK FACTORS — Tax Delinquencies” herein. The Special Taxes are collected for the City by the County of Placer in the same manner and at the same time as *ad valorem* property taxes.

Special Tax Methodology

The Special Tax authorized under the Act applicable to land within the District will be levied and collected according to the tax liability determined by the City through the application of the appropriate amount or rate as described in the Special Tax Formula set forth in “APPENDIX A — RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.” Capitalized terms set forth in this section and not otherwise defined have the meanings set forth in the Special Tax Formula.

Determination of Facilities Special Tax Requirement. Each year, the City will determine the annual Facilities Special Tax Requirement of the District for the upcoming fiscal year. The “**Facilities Special Tax Requirement**” is defined in the Special Tax Formula as the amount necessary in any Fiscal Year (i) to pay principal and interest on Bonds, (ii) to create or replenish reserve funds, (iii) to pay Administrative Expenses, (iv) to cure any delinquencies in the payment of principal or interest on indebtedness of the District which have occurred in the prior Fiscal Year or (based on delinquencies in the payment of the Facilities Special Taxes which have already taken place) are expected to occur in the Fiscal Year in which the tax will be collected, and (v) to pay construction expenses to be funded directly from Facilities Special Tax proceeds. The amounts referred to in clauses (i) and (ii) of the preceding sentence may be reduced in any Fiscal Year by: (i) interest earnings on or surplus balances in funds and accounts for the Bonds to the extent that such earnings or balances are available to apply against debt service pursuant to a Bond indenture, Bond resolution, or other legal document that sets forth these terms; (ii) proceeds received by the District from the collection of penalties associated with delinquent Facilities Special Taxes; and (iii) any other revenues available to pay debt service on the Bonds as determined by the Administrator.

The Facilities Special Tax Requirement is the basis for the amount of Special Tax to be levied within the District to pay the Bonds. In no event may the City levy a Special Tax in any year above the Maximum Facilities Special Tax identified for each parcel in the Special Tax Formula.

Classification of Parcels. 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 Special Tax Formula provides that the Special Tax will be levied against property in the District up to the maximum in an amount and in the order set forth in the Special Tax Formula, which varies based on the parcel’s classification as a “Developed Property”, “Undeveloped Property” or a “Taxable Public Property.” Within the Developed Property classification, certain parcels are eligible to be classified as an “Affordable Unit” (50 Affordable Units are planned for the District); Affordable Units in the District are assigned a reduced Special Tax. The Special Tax Formula describes in detail the precise method for assigning the Maximum Facilities Special Tax to parcels within the District, which generally provides that each year the City will use the definitions contained in the Special Tax Formula to classify each Taxable Parcel as Developed Property, Undeveloped Property or Taxable Public Property and the Special Tax assigned in the amount shown in a schedule attached to the Special Tax Formula, with the tax levied first on Developed Property, and then, if needed on Undeveloped Property and Taxable Public Property. See “APPENDIX A - RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.”

Annual Special Tax Levy. The Special Tax will be levied each year by comparing the annual Facilities Special Tax Requirement to the Maximum Facilities Special Tax to be generated by all Taxable Property; if the annual Facilities Special Tax Requirement is less than the Maximum Facilities Special Tax, the Special Tax levy will be decreased proportionately for each taxed property until the Special Tax revenue equals the annual Facilities Special Tax Requirement.

Termination of the Special Tax. The Special Tax will be levied and collected for as long as needed to pay the principal and interest on the Bonds and other costs incurred in order to construct the authorized District-funded facilities and to pay the annual Facilities Special Tax Requirement. The Special Tax Formula provides that the Special Tax may not be levied on any parcel in the District after fiscal year 2040-41. When all annual Facilities Special Tax Requirement incurred by the District have been paid, the Special Tax will cease to be levied.

Prepayment of the Special Tax. The Special Tax Formula provides that landowners may permanently satisfy the Special Tax by a cash settlement with the City, subject to the conditions set forth in the Special Tax Formula which include (i) the Parcel is part of a recorded Development Plan that allows the Administrator to identify the final land uses on the Parcel for purposes of applying the Special Tax Formula, and (ii) there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of prepayment. The prepayment amount will be established using the formula set forth in the Special Tax Formula, which is generally based on the Parcel's share of the outstanding Bonds, the Reserve Fund, fees, call premiums, negative arbitrage and any expenses incurred by the City in connection with the prepayment.

Levy of Annual Special Tax; Maximum Facilities Special Tax

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

The Special Tax will be levied in an amount at least equal to the annual Facilities Special Tax Requirement as described in the Special Tax Formula and may be levied in an amount up to the maximum rates, which may include a pay-as-you-go component. The total Maximum Facilities Special Tax levy for the District is \$442,000 for Fiscal Year 2007-08. The Developer expects to utilize the pay-as-you-go component to pay for and/or reimburse the Developer the cost of certain development fees authorized to be funded by the District but which are not funded from proceeds of the Bonds, provided that the City expects to limit the period for such reimbursement to 5 years. The Maximum Facilities Special Tax for the planned 131 single-family units in the District is \$1,425 for Fiscal Year 2007-08. The per lot amount may change due to differences in the actual number of homes constructed. Beginning in Fiscal Year 2008-09, and each Fiscal Year thereafter, the Special Tax will be adjusted by the Annual Special Tax Escalation Factor set forth in the Special Tax Formula. See "APPENDIX A - RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX."

Proceeds of the annual Special Tax levy will first be used to pay the annual Facilities Special Tax Requirement other than pay-as-you-go expenditures and second, if the levy included a pay-as-you-go component, for deposit into the Improvement Fund for authorized

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

Special Tax Fund

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

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

Deposit and Use of Proceeds of Bonds

The Bonds are additionally secured by amounts generated from proceeds of the Bonds, together with interest earnings thereon pledged under the Fiscal Agent Agreement. The proceeds of the Bonds will be paid to the Fiscal Agent, who will deposit such proceeds in the Reserve Fund, Bond Fund and Costs of Issuance Fund established under the Fiscal Agent Agreement, and transfer to the City the amounts designated for deposit into the Improvement

Fund. See "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT" for information on use of the moneys, including investment earnings thereon, in the various funds established under the Fiscal Agent Agreement. See also "Reserve Fund" and "Improvement Fund" below.

Delinquent Payments of Special Tax; Covenant for Superior Court Foreclosure

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

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

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

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

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

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

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

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

Reserve Fund

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

Whenever, on the Business Day prior to any Interest Payment Date, the amount in the Reserve Fund exceeds the then applicable Reserve Requirement, the Fiscal Agent will transfer

an amount equal to the excess from the Reserve Fund to the Bond Fund or the Improvement Fund as provided below, except that investment earnings on amounts in the Reserve Fund may be withdrawn from the Reserve Fund for purposes of making payment to the Federal government to comply with rebate requirements.

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

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

Improvement Fund

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

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

Additional Bonds

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

DEBT SERVICE SCHEDULE

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

DIAMOND CREEK COMMUNITY FACILITIES DISTRICT NO. 1 (PUBLIC FACILITIES) SPECIAL TAX BONDS SERIES 2007 DEBT SERVICE

Year Ending (Sept. 1)	Principal	Interest	Total
2007	--	\$108,535.00*	\$108,535.00
2008	--	348,862.50*	348,862.50
2009	20,000	348,862.50	368,862.50
2010	30,000	348,082.50	378,082.50
2011	40,000	346,882.50	386,882.50
2012	45,000	345,232.50	390,232.50
2013	60,000	343,320.00	403,320.00
2014	70,000	340,740.00	410,740.00
2015	80,000	337,660.00	417,660.00
2016	90,000	334,100.00	424,100.00
2017	105,000	330,050.00	435,050.00
2018	120,000	325,220.00	445,220.00
2019	135,000	319,640.00	454,640.00
2020	150,000	313,295.00	463,295.00
2021	165,000	306,170.00	471,170.00
2022	185,000	298,250.00	483,250.00
2023	200,000	289,000.00	489,000.00
2024	220,000	279,000.00	499,000.00
2025	245,000	268,000.00	513,000.00
2026	265,000	255,750.00	520,750.00
2027	290,000	242,500.00	532,500.00
2028	315,000	228,000.00	543,000.00
2029	340,000	212,250.00	552,250.00
2030	370,000	195,250.00	565,250.00
2031	400,000	176,750.00	576,750.00
2032	430,000	156,750.00	586,750.00
2033	465,000	135,250.00	600,250.00
2034	500,000	112,000.00	612,000.00
2035	540,000	87,000.00	627,000.00
2036	580,000	60,000.00	640,000.00
2037	620,000	31,000.00	651,000.00
Total	\$7,075,000	\$7,823,402.50	\$14,898,402.50

* Paid from capitalized interest.

THE DISTRICT

Formation of the District

On February 21, 2007, the City Council adopted a Resolution of Intention to form a community facilities district under the Act, to levy a special tax and to incur bonded indebtedness for the purpose of financing the Improvements and making contributions to certain public facilities. After conducting a noticed public hearing, on April 4, 2007, the City Council adopted the Resolution of Formation, which established Diamond Creek Community Facilities District No. 1 (Public Facilities), set forth the Special Tax Formula within the District and set forth the necessity to incur bonded indebtedness in a total amount not to exceed \$7,850,000. On the same day, an election was held within the District in which Diamond Creek Partners, Ltd. (who was then the only eligible landowner voter in the District) unanimously approved the proposed bonded indebtedness and the levy of the Special Tax. See "OWNERSHIP OF PROPERTY WITHIN THE DISTRICT" below.

Location and Description of the District and the Immediate Area

The District is located in the North Roseville Specific Plan ("NRSP") area of the City. Adopted on August 6, 1997, with June 1998 and March 2000 amendments, the NRSP encompasses approximately 1,552 acres and is projected for the build-out of 4,318 single-family units, 663 multifamily units, 400 age-restricted residences, 108.9± acres of commercial development, 69.1± acres of public/quasi-public uses (e.g., schools, places of worship), and 301.7± acres of parks, recreation and open space. The land in the District is identified as Parcel DC-31 within the NRSP.

The property in the District is situated within the confines of a single assessor's parcel identified as APN 017-115-032, which is located along the east line of Diamond Creek Boulevard, north of Blue Oaks Boulevard.

Land in the District is located along the east line of Diamond Creek Boulevard, north of Blue Oaks Boulevard. Land uses in the immediate area are devoted primarily to residential uses and supporting commercial development, both of which have experienced steady acceptance by the market. With the development of the Fiddymont Ranch and Westpark master planned communities in nearby West Roseville, there are a variety of land uses, including single and multifamily residential, commercial and recreational uses that will be incorporated into the area in the near-term. To the north of the District is office and retail development, to the south is single family residential development, a condominium project is to the east and vacant land proposed for age-restricted residential development is to the west.

Much of the area in the vicinity of the District has been experiencing a transition from largely undeveloped, agriculturally oriented uses toward a mixture of suburban land uses, and this transition has particularly intensified during the past 10 years. The predominant approved suburban land use within the City limits in the vicinity of the District is single family residential. The District is also near to the developing West Roseville Specific Plan area, which permits a total of 8,390 dwelling units on approximately 3,161 gross acres. Sales of homes and development of that area has commenced and is expected to extend for years into the future.



	RETAIL: ENTIRE SITE 142,886 sq. ft. OFFICE: NORTH OF PARKSIDE 56,302 sq. ft.	DIAMOND CREEK PARTNERS, LTD 130 DIAMOND CREEK PLACE, SUITE 1 ROSEVILLE, CA 95747 STEPHEN L. DES JARDINS (916) 786-8158	REINERS INC. 10000 REINERS BLVD SUITE 100 ROCKLEDGE, CA 95968 (916) 485-1577	A.R. ASSOCIATES 275 NEVADA STREET AUBURN, CA 95603 (530) 886-1288	UBORA ENGINEERING & PLANNING 3800 UNIVERSITY AVENUE, SUITE 200 SACRAMENTO, CA 95821 (916) 486-1000 www.ubora.com	DIAMOND CREEK VILLAGE-EXHIBIT (PROPOSED)
	UNIT SUMMARY: BUILDING SITE 1, 2, & 3 = 352 TOWN HOMES = 8 SINGLE FAMILY = 131 TOTAL = 491					



Anticipated Development in the District

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

Land in the District is planned for development of 131 single-family residential lots (utilizing approximately 11.8 acres), eight townhouse lots (utilizing approximately .75 acre), and a site planned for the development of multi-story, mixed-use commercial and residential buildings with approximately 75,000 square feet of ground level retail/office space and up to 352 residential condominium units (including up to 50 affordable housing units taxed at a portion of the Special Tax rate for non-restricted housing) situated above the commercial space on an approximate 6.33-acre parcel. Final approval by the City of the density of the 352 condominium units has not been obtained by the Developer; accordingly, the 352-unit maximum density may be reduced prior to approval. See "Entitlements" below.

In September 2006 the Developer entered into a contract for sale of the 131 single family detached residential lots to Centex Homes. The typical lot size has been mapped to be 2,500 square feet. While the lots are detached, the project is representative of a cluster housing subdivision in which the lots will correspond to the footprint of each residence, along with an enclosed patio area. Additionally, the units will have shared common areas, including driveways, landscaping, and parks, all of which will be owned and maintained by a homeowner's association. The date of closing for the sale is scheduled to be soon after approval of the large lot final map (creating the residential parcel) by the City, currently projected to be by the end of May 2007.

The townhouse component is located at the northeast corner of the parcel and is projected to be developed with eight attached units with a density of 10.66 units per acre.

The 6.52-acre mixed-use site is proposed for 75,000 square feet of retail space and covered parking on the first floor, with up to 352 residential condominium units situated in three separate buildings above the commercial space and parking. These mixed-use buildings will be four to five stories upon completion. This type of a mixed-use project will be unique to the area.

Entitlements. The property in the District is identified as Parcel DC-31 within the North Roseville Specific Plan. On July 11, 2002, a major project permit for the parcel, in conjunction with Parcels DC-30 and DC- 33, was approved by the Planning Commission for the development of a mixed-use commercial and office project with 360,500 square feet of rentable area. The entitlements were modified in May 2004 and again in 2005, resulting in a reduction in rentable area to 351,173 square feet, with 253,500 square feet allocated to Parcel DC-31. At that time the property was designated for commercial development under the General Plan and Specific Plan, with a CC (Community Commercial) zoning ordinance. On November 9, 2006, the Planning Commission approved a motion with a 3 to 2 vote to amend the General Plan, Specific Plan, and zoning designation to allow for a combination of commercial and residential development. The property in the District was rezoned to the uses as described above, and the tentative subdivision map has been approved. The City Council of the City approved a General Plan Amendment and an amendment to the North Roseville Specific Plan on February 21, 2007

and rezoned the property pursuant to Ordinance No. 4505, dated March 7, 2007. The General Plan and Specific Plan, as amended, set forth a comprehensive land use plan and establish detailed regulations, conditions and programs for development of the property. On March 7, 2007, the City Council of the City adopted Ordinance No. 4506 approving a Development Agreement amendment between the City and Owner pursuant to the provisions of Article 2.5 (commencing with Section 65864) of Chapter 4 of Division 1 of Title 7 of the California Government Code with respect to the permitted uses of the property, and the agreement has been entered into and is dated March 7, 2007. The Development Agreement grants the right to develop the property as planned, so long as the density, intensity, rate and timing of the development remains consistent with the amended North Roseville Specific Plan and Development Agreement. The entitlements and Development Agreement allow for 131 single-family lots, eight townhouse lots, and development of a 6.52-acre site as multi-story, mixed-use commercial and residential buildings with ground level retail/office space and 352 residential condominium units (including 50 affordable housing units) situated above the commercial space. See "Development Agreement" below.

Subdivision Maps. In late March 2007, the Developer received approval from the City of a final subdivision map of the property in the District, creating four large parcels. Two of the four parcels will be the 131 detached single-family land use; one parcel will correspond to the planned condominium/retail development and one parcel will correspond to the planned townhouse development. The tentative map creating the 131 single family parcels will be finally approved concurrently with the final map approval of the four parcels; final map approval of the 131 lots will be determined by the property developer (projected to be Centex Homes).

Projected Construction Schedule – 131 Detached Residential. Construction of the 131 detached lot single-family residential component of the District is expected to be undertaken by Centex Homes upon transfer of title from the Developer. The transfer of title is expected to occur by the end of May 2007. The Developer projects that Centex will commence homebuilding activity in Summer of 2007, however no assurance can be given as to what the actual plans of Centex will be. Roads to the site are complete. Home elevations have been approved by the City and Centex is in a position to submit home drawings and obtain building permits upon final map approval. The pace of home construction in the District will be determined in part by market conditions and demand for homes.

Projected Construction Schedule – Mixed Use Component. The Developer has not yet decided if it will build the condominium/townhouse/retail portion of the project. The condominiums and townhomes may be built for the Developer by Centex or another builder and are ultimately expected to be sold to homeowners. The Developer expects to retain the retail portion of the project. The Developer expects construction of the mixed-use buildings will begin in the second quarter of 2008 and projects sales to begin concurrently. Initial closings are expected to begin by Summer of 2009.

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

Development Agreement

General. The Developer is a party to a development agreement dated March 7, 2007 (the “**Development Agreement**”) pursuant to the adopted Ordinance No. 4506 approving a Development Agreement amendment between the City and Owner with respect to the permitted uses of the property in the District. The development agreement vests development rights, set forth infrastructure improvements and dedication requirements, secures the timing and methods for financing improvements, and specifies other performance obligations as related to development. The Development Agreement was entered into in accordance with Article 2.5 (commencing with Section 65864) of Chapter 4 of Division 1 of Title 7 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 development implementation tool for the property and is intended to create a binding contract between the City and the Developer and its assigned successors in interest, which sets forth the needed infrastructure improvements, public facility requirements, timing and method for financing improvements and other specific performance obligations of the City and the Developer as such obligations relate to development of the property in the District, including the terms, conditions, rules, regulations, entitlements, vested rights and other provisions relating to the development of the property in the District according to the entitlements. Included are provisions relating to infrastructure improvements, public dedication requirements, landscaping amenities and other obligations of the parties. The Development Agreement has a 20-year term, runs with the property, and may be modified only by mutual consent of the City and the Developer and in a manner consistent with City land use requirements. With the Development Agreement in place, subject to compliance with the terms of the Development Agreement, construction of homes within the District may occur upon City approval of subdivision maps, satisfaction of certain design requirements and conditions of such maps and issuance of building permits. The Development Agreement will be binding on the Developer and all successor owner-developers of property in the District.

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

Environmental Matters

Flood Hazard Map Information. According to the Federal Emergency Management Agency’s flood insurance rate maps (Community-Panel Number 060243-0394F, with an effective date of June 8, 1998), the developable portions of the property in the District are located within Flood Zone X, described as areas of minimal flooding (outside of the 100 and 500-year floodplains).

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

THE IMPROVEMENTS

Eligible Facilities

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

The Improvements eligible to be financed by the District are set forth in the Resolution of Intention and in the Community Facilities District Hearing Report (the “**CFD Hearing Report**”) dated April 4, 2007 prepared for the Developer by Goodwin Consulting Group, Sacramento, California, in connection with the formation of the District.

The eligible Improvements authorized are described in the CFD Hearing Report consist generally of roadway improvements, including roadway design, project management, grading, and construction of roadways, including curbs, gutters, sidewalks, pavement, street lighting, dry utilities, landscaping, and other miscellaneous improvements, as well as incidental expenses as authorized by the Act. The Developer expects to oversee the construction of the Improvements. Grading has commenced, and construction of infrastructure is expected to begin by June 2007 after completion of a bidding process. Authorized Improvements also include water, wastewater, and drainage system improvements in connection with the project, park improvements, and other capital improvements and may include the some developer impact fees for parks, which are payable to the City pursuant to approved ordinances or resolutions upon issuance of a building permit or final map approval for development within the District.

Estimated Cost of the Improvements

The total estimated construction cost of the Improvements and other project related public expenditures, as shown in the CFD Hearing Report, is approximately \$5.6 million, which will be fully funded by the Bonds. Any additional backbone infrastructure costs will be funded by monies of the Developer and Centex Homes, a portion of which may be reimbursed from the “pay-as-you-go” component of the Special Taxes. Other project related costs may include park related fees.

Diamond Creek Community Facilities District No. 1 (Public Facilities) Summary of Estimated Cost of Authorized Facilities

Item	Estimated Cost
Construction Costs	\$4,508,000
“Soft Costs” - Design, Engineering, etc.	665,000
City/County Fees	449,000
Total Improvements	\$5,622,000

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

The Special Tax Formula provides that the funding of Improvement costs can also be made from collections of the Special Tax available as the “pay-as-you-go” component of Special Taxes. The pay-as-you-go funding component could provide for funding of the cost of the Improvements in excess of the amount provided from Bond proceeds and through annual Special Tax collections in excess of the amount needed to pay the debt service. This component of the Special Tax is limited to 5 years and the Developer expects to utilize it for that

time. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Special Tax Methodology” and “ – Special Tax Fund.”

Construction and Acquisition of the Improvements

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

OWNERSHIP OF PROPERTY WITHIN THE DISTRICT

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

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

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

The Developer

Ownership. All of the land within the District is owned by Diamond Creek Partners, Ltd. (“**Diamond Creek Partners**”, also the “**Developer**”). The Developer is undertaking master planning of the property and may build a portion of the project for final users. The Developer has entered into a contract for sale of the single family detached residential component of the project to Centex Homes, with closing expected by the end of May 2007. The Developer has not yet decided if it will build the condominium/townhouse/retail portion of the project. The condominiums and townhomes are expected to be sold to homeowners and the Developer expects to retain the retail portion of the project.

Stephen L. Des Jardins is president of Diamond Equities, Inc., general partner of Diamond Creek Partners, Ltd., and has been involved in development in Roseville for the past 20 years, particularly in the "Diamond Creek" neighborhood, which includes the area in the District and is a major part of the North Roseville Specific Plan originally approved in 1997 as part of the North Roseville Specific Plan. The project contemplated for the District completes the original 360-acre Diamond Creek project.

Stephen L. Des Jardins has been in the real estate development business for over 25 years, including the development of land and lots in the North Central Roseville Specific Plan area and the Diamond Oaks subdivision in the City. His experience includes land and lot development and the building of office and retail buildings. He also owns and operates the La Provence Restaurant and Terrace in the Diamond Creek area.

Financing Plan. The infrastructure required for the public improvements from the rezone are fully funded with the Mello-Roos proceeds as described in the "Summary of Authorized Facilities and Estimated Costs". Private improvements (concrete alleys, landscape in the paseos, etc.) will be funded by the homebuilder concurrent with the building of single-family homes. The construction of the condominiums, townhomes, and associated retail is expected to be accomplished with Developer and investor equity as well as bank financing. A Deed of Trust is anticipated to be placed on the property securing a loan which is to be repaid with proceeds from subsequent sales of the condominium and townhome units. The retail component of the financing will convert to permanent financing once fully occupied.

APPRAISAL OF PROPERTY WITHIN THE DISTRICT

The Appraisal

General. Seevers Jordan Ziegenmeyer, Rocklin, California (the "**Appraiser**") prepared an appraisal report dated April 6, 2007, with a date of value of February 22, 2007 (the "**Appraisal**"). The Appraisal was prepared at the request of the City.

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

Value Estimates. The Appraisal valued the fee simple estate of the taxable property in the District to estimate the hypothetical (in light of the fact that the improvements financed by the Bonds were not in place as of the date of valuation) market value of the property (in bulk), assuming completion of the improvements to be financed by the Bonds. The valuation accounts for the impact of the lien of the Special Tax. The property appraised excludes property in the District designated for public and quasi-public purposes. The value estimate for the property as of the February 22, 2007 date of value, using the methodologies described in the Appraisal and subject to the limiting conditions and extraordinary assumptions set forth in the Appraisal, and based on the ownership of the property as of that date is \$31,100,000.

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

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

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

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

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

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

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

Projected Absorption Period. The Appraiser also estimated the marketing time that would be required for the disposition of the components (single-family, townhouse and mixed use), based on the historical marketing times of a number of local sales, as well as current and projected economic conditions, the impacts of present market conditions, as well as anticipated changes in the market. After considering the development timeline and scope of the project, the Appraiser estimated all of the components could transfer within one year of exposure on the

market. Thus, the discounted cash flow analysis reflected sales of the components over this period. The estimate takes into account the time and process associated with delivering developable parcels. See Appendix B.

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

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

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

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

Value to Special Tax Burden Ratios

The Appraisal sets forth the estimated bulk sale discounted value, subject to the Special Tax lien, of all taxable property within the District to be \$31,100,000 subject to the limiting conditions stated therein. (See "The Appraisal" above and Appendix B hereto.) The principal amount of the Bonds is \$7,075,000. Consequently, the estimated bulk sale discounted value, subject to the Special Tax lien, of the real property within the District, is approximately 3.95 times the principal amount of the Bonds and the other Overlapping Debt (a portion of the City's North Roseville Community Facilities District No. 1 bonds).

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

Other public agencies whose boundaries overlap those of the District could, without the consent of the City and in certain cases without the consent of the owners of the land within the District, impose additional taxes or assessment liens on the land within the District. The lien created on the land within the District through the levy of such additional taxes or assessments may be on a parity with the lien of the Special Tax. In addition, construction loans may be obtained by the Developers or home loans may be obtained by ultimate homeowners. The deeds of trust securing such debt on property within the District, however, will be subordinate to the lien of the Special Tax.

Overlapping Liens and Priority of Lien

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

The property in the District is also subject to an annual bonded special tax of the City's North Roseville Community Facilities District No. 1 (Public Facilities) in the annual amount of \$175 per single-family residential unit at Diamond Creek (market units). The property is also subject to (i) an annual non-bonded special tax of the City's Community Facilities District No. 2 (Public Services) in the annual amount of \$11 per single family residential unit at (applies to market and affordable units), (ii) the City's Community Facilities District No. 3 (Municipal Services) in the annual amount of \$293 per low- or medium-density residential unit (market and affordable units), and (iii) the Placer County Mosquito Abatement District in the annual amount of \$13 per single family residence. These districts are not authorized to sell bonds, and the maximum annual special taxes and assessments may escalate by no more than 4% annually.

All the Property in the District is subject to the following general obligation bonds (i) Roseville City Elementary School District General Obligation Bond (\$.0306 per \$100 of assessed value), (ii) Roseville Joint High School District General Obligation Bond (\$.0201 per \$100 of assessed value), and (iii) Roseville Joint High School District General Obligation Bond as approved in 2004.

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

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

Set forth below is a statement of direct and overlapping public bonded debt (the "Overlapping Debt Report") prepared by California Municipal Statistics, Inc. as of April 15, 2007. The Overlapping Debt Report includes only such information as has been reported to California Municipal Statistics, Inc. by the issuers of the debt described therein and by others. The Overlapping Debt Report is included for general informational purposes only. Neither the City nor the District makes any representation as to its completeness or accuracy.

The first column in the table names each public agency which has outstanding bonded debt as of the date of the report and whose territory overlaps the District in whole or in part. The

second column shows the assessed value of the area common to the District and the other public agency (overlapping territory), as a percentage of the total assessed value of the other public agency. This percentage, multiplied by the total outstanding bonded debt of each overlapping agency (which is not shown in the table) produces the amount shown in the third column, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

The statement of direct and overlapping public bonded debt is followed by a table showing the estimated total tax burden on a single family home with a hypothetical sales price of \$475,000, based on estimated tax rates for Fiscal Year 2007-08.

**City of Roseville
Diamond Creek Community Facilities District No. 1 (Public Facilities)
Direct and Overlapping Indebtedness**

2006-07 Local Secured Assessed Valuation: \$674,678

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 4/15/07</u>	
Roseville Joint Union High School District	0.003%	\$ 2,435	
Roseville City School District	0.006	2,275	
City of Roseville North Community Facilities District No. 1	3.811	793,641	
City of Roseville Diamond Creek Community Facilities District	100.	-	(1)
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$798,351	
 <u>OVERLAPPING GENERAL FUND DEBT:</u>			
Placer County Certificates of Participation	0.001%	\$ 225	
Placer County Office of Education Certificates of Participation	0.001	28	
Sierra Joint Community College District Certificates of Participation	0.001	104	
Roseville Joint Union High School District Certificates of Participation	0.003	155	
Roseville City School District Certificates of Participation	0.006	1,080	
City of Roseville Certificates of Participation	0.004	952	
TOTAL OVERLAPPING GENERAL FUND DEBT		\$ 2,544	
 COMBINED TOTAL DEBT		 \$800,895	(2)

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

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

Ratios to 2006-07 Local Secured Assessed Valuation:

Direct Debt	- %
Total Direct and Overlapping Tax and Assessment Debt.....	118.33%
Combined Total Debt	118.71%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/06: \$0

Source: California Municipal Statistics.

City of Roseville
Diamond Creek Community Facilities District No. 1 (Public Facilities)
Total Annual Burden Analysis for an Average SFD Unit
(Fiscal Year 2007-08)

Assumptions

Estimated Assessed Value per SFD Unit ⁽¹⁾ \$468,000

	<u>% of Value</u>	<u>Levy Amount</u>
General Property Taxes & General Obligation Taxes ⁽²⁾	1.0774%	\$5,042
Existing and Proposed Special Tax Liens		
North Roseville CFD No. 1 (Infrastructure)	0.0374	175
North Roseville CFD No. 2 (Services)	0.0024	11
North Roseville CFD No. 3 (Municipal Services)	0.0624	292
Diamond Creek CFD No. 1 (Public Facilities)		
Facilities Special Tax	0.3045	1,425
Services Special Tax	0.0038	18
Total Assessments and Taxes	1.4840%	\$6,945

(1) Estimated home sales price of \$475,000 minus \$7,000 to account for the homeowners exemption.

(2) Includes voter-approved taxes for school districts and the Placer County Mosquito Abatement charges.

Source: Goodwin Consulting Group, Inc.

SPECIAL RISK FACTORS

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

Limited Obligation of the City to Pay Debt Service

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

Concentration of Ownership

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

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

Appraised Values

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

The opinion of value relates to sale by a willing seller to a willing buyer as of the date of valuation, each having similar information and neither being forced by other circumstances to sell or to buy. Consequently, the opinion is of limited use in predicting the selling price at a foreclosure sale, because the sale is forced and the buyer may not have the benefit of full information.

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

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

Property Values and Property Development

The value of Taxable Property within the District is a critical factor in determining the investment quality of the Bonds. If a property owner defaults in the payment of the Special Tax, the District's only remedy is to foreclose on the delinquent property in an attempt to obtain funds

with which to pay the delinquent Special Tax. Land development and land values could be adversely affected by economic and other factors beyond the District's control, such as: a general economic downturn; adverse judgments in future litigation that could affect the scope, timing or viability of development; relocation of employers out of the area; stricter land use regulations; shortages of water, electricity, natural gas or other utilities; destruction of property caused by earthquake, flood or other natural disasters; environmental pollution or contamination.

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

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

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

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

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

Second, failure to complete development on a timely basis could adversely affect the land values of those parcels that have been completed. Lower land values would result in less security for the payment of principal of and interest on the Bonds and lower proceeds from any foreclosure sale necessitated by delinquencies in the payment of the Special Tax. See "APPRAISAL OF PROPERTY WITHIN THE DISTRICT –Value to Special Tax Burden Ratios." No assurance can be given that the proposed development within the District will be completed, and in assessing the investment quality of the Bonds, prospective purchasers should evaluate the risks of noncompletion.

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

growth control initiatives. There can be no assurance that land development operations within the District will not be adversely affected by these risks.

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

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

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

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

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

Further, it is possible that liabilities may arise in the future with respect to any of the parcels within the District resulting from the existence, currently, on the parcel of a substance presently classified as hazardous but which has not been released or the release of which is not

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

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

Bankruptcy and Foreclosure Delays

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

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

To the extent that bankruptcy or similar proceedings were to involve a large property owner, the chances would increase the likelihood that the Bond Reserve Fund could be fully depleted during any resulting delay in receiving payment of delinquent Special Taxes. As a result, sufficient monies would not be available in the Bond Reserve Fund for transfer to the Bonds Redemption Account to make up any shortfalls resulting from delinquent payments of the Special Tax and thereby to pay principal of and interest on the Bonds on a timely basis.

Parity Taxes and Special Assessments; Private Debt

The City, the County and certain other public agencies are authorized by the Act to form other community facilities districts and improvement areas and, under other provisions of State

law, to form special assessment districts, either or both of which could include all or a portion of the land within the District.

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

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

Tax Delinquencies

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

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

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

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

No Acceleration Provisions

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

Ballot Initiatives

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

Proposition 218

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

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

on July 1, 1997, a bill was signed into law by the Governor of the State enacting Government Code 5854, which states:

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

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

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

CONSTITUTIONAL LIMITATIONS ON TAXATION AND APPROPRIATIONS

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

Article XIII A limits the maximum *ad valorem* tax on real property to 1% of “full cash value,” which is defined as the County Assessor’s valuation of real property as shown on the 1975-76 tax bill under full cash value, or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment. The full cash value may be adjusted annually to reflect increases of no more than 2% per year or decreases in the consumer price index or comparable local data, or declining property value caused by damage, destruction or other factors.

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

State and local government agencies in the State, and the State itself are subject to annual appropriation limits, imposed by Article XIII B of the State Constitution. Article XIII B

prohibits government agencies and the State from spending “appropriations subject to limitation” in excess of the appropriations limits imposed. “Appropriations subject to limitation” are authorizations to spend “proceeds of taxes,” which consist of tax revenues, certain state subventions and certain other funds, including proceeds from regulatory licenses, user charges or other fees to the extent that such proceeds exceed the cost reasonably borne by such entity in providing the regulation, product or service. No limit is imposed on appropriations of funds which are not “proceeds of taxes” such as debt service on indebtedness existing or authorized before January 1, 1979, or subsequently authorized by the voters, appropriations required to comply with mandates of courts or the federal government, reasonable user charges or fees and certain other non-tax funds.

CONTINUING DISCLOSURE

The City has covenanted for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the District by not later than the next January 15th after the end of the City’s fiscal year (presently June 30) in each year (the “**City Annual Report**”) commencing with its report for the 2006-2007 fiscal year (due January 15, 2008) and to provide notices of the occurrence of certain enumerated events.

The Developer has also covenanted for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the property it owns, or its affiliates or subsidiaries, or entities it has an interest in or controls owns, in the District by not later than April 1 of each year (reflecting reported information as of December 31 of the prior year) beginning with the report due April 1, 2008 (the “**Developer Annual Report**”) and to provide notices of the occurrence of certain enumerated events. The obligation of the Developer to provide such information is in effect only so long as the Developer and its affiliates, or their successors, are collectively responsible for a certain percentage of the Special Taxes, as described in the Developer Annual Report.

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

The City has had no instance in the previous five years in which it failed to comply in all material respects with any previous continuing disclosure obligation under the Rule.

UNDERWRITING

The Bonds were purchased through negotiation by Piper Jaffray & Co. (the “**Underwriter**”). The Underwriter agreed to purchase the Bonds at a price of \$6,952,950.45 (which is equal to the par amount of the Bonds, less an original issue discount of \$30,074.55 and less the Underwriter’s discount of \$91,975.00). The initial public offering prices set forth on the cover page hereof may be changed by the Underwriter. The Underwriter may offer and sell the Bonds to certain dealers and others at a price lower than the public offering prices set forth on the cover page hereof.

FINANCIAL ADVISOR

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

LEGAL OPINION

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

TAX MATTERS

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

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

Although Bond Counsel has rendered an opinion that the interest on the Bonds is excluded from gross income for purposes of federal income taxation, the accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend on the recipient's particular tax status or other items of income or deduction and Bond Counsel expresses no opinion regarding any such

consequences. Additionally, Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring after the date of delivery of the Bonds may affect the tax status of the Bonds.

If the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which each Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes. De minimis original issue discount and original issue premium is disregarded. Owners of Bonds with original issue discount or original issue premium, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to federal income tax and State of California personal income tax consequences of owning such Bonds.

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

RATINGS

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

NO LITIGATION

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

EXECUTION

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

CITY OF ROSEVILLE

By: /s/ Russell C. Branson
 Administrative Services Director/
 Treasurer

APPENDIX A

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

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EXHIBIT A

CITY OF ROSEVILLE DIAMOND CREEK COMMUNITY FACILITIES DISTRICT NO. 1 (PUBLIC FACILITIES)

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

Special Taxes applicable to each Assessor's Parcel in Diamond Creek Community Facilities District No. 1 (Public Facilities) [herein "CFD No. 1" or "the CFD"] shall be levied and collected according to the tax liability determined by the City Council of the City of Roseville, through the application of the appropriate amount or rate for Taxable Property, as described below. All of the property in CFD No. 1, unless exempted by law or by the provisions of Section H below, shall be taxed for the purposes, to the extent, and in the manner herein provided.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

"Acre" or "Acreage" means the land area of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable Final Map or other Development Plan.

"Act" means the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, (commencing with Section 53311), Division 2 of Title 5 of the California Government Code.

"Administrative Expenses" means any or all of the following: the fees and expenses of any fiscal agent or trustee (including any fees or expenses of its counsel) employed in connection with any Bonds, and the expenses of the City carrying out its duties with respect to CFD No. 1 and the Bonds, including, but not limited to, levying and collecting the Special Taxes, the fees and expenses of legal counsel, charges levied by the County, costs related to annexing property into the CFD, costs related to property owner inquiries regarding the Special Taxes, costs associated with complying with any continuing disclosure requirements for the Bonds and the Special Taxes, and all other costs and expenses of the City in any way related to the establishment or administration of the CFD.

"Administrator" means the person or firm designated by the City to administer the Special Taxes according to this RMA.

"Affordable Housing Director" means, at any point in time, the person within the City who serves as head of the department that is in charge of the City's affordable housing program.

“Affordable Unit” means a Unit built within Tax Zone #3 for which an Affordable Purchase Development Agreement has been recorded on title of the property designating the Unit as affordable and resulting in a deed of trust on the Parcel in favor of the City. The City’s Affordable Housing Director shall determine which Units are designated as Affordable Units and maintain an Affordable Unit Listing which shall identify all such Units. The Affordable Unit Listing shall also be updated to reflect those Units no longer qualifying as Affordable Units. The Affordable Unit Listing, which shall contain all qualifying Affordable Units as of April 30, shall be made available to the Administrator by July 1 of each year for purposes of determining the Maximum Special Tax for Parcels pursuant to Sections C and E below.

“Annual Tax Escalation Factor” means, in each Fiscal Year following the Base Year, an increase in the Maximum Special Tax in an amount equal to two percent (2%) of the Maximum Special Tax in effect in the prior Fiscal Year.

“Assessor’s Parcel” or “Parcel” means a lot or parcel shown on an Assessor’s Parcel Map with an assigned Assessor’s Parcel number.

“Assessor’s Parcel Map” means an official map of the County Assessor designating parcels by Assessor’s Parcel number.

“Authorized Facilities” means those facilities that are authorized to be funded by CFD No. 1.

“Authorized Services” means those services that are authorized to be funded by CFD No. 1.

“Base Year” means Fiscal Year 2007-08.

“Bonds” means bonds or other debt (as defined in the Act), whether in one or more series, issued, insured or assumed by CFD No. 1 related to public infrastructure and/or improvements that are authorized to be funded by CFD No. 1.

“Bond Indenture” means the indenture or other financing document pursuant to which the Bonds are issued.

“Buildable Lot” means an individual lot within a Final Map for which a building permit may be issued without further subdivision of such lot.

“Capitalized Interest” means funds in any capitalized interest account available to pay debt service on Bonds.

“CFD Formation” means the date on which the Resolution of Formation to form CFD No. 1 was adopted by the City Council.

“CFD Maximum Facilities Special Tax Revenue” means the aggregate Maximum Facilities Special Tax revenue that can be collected from all property within CFD No. 1. The CFD Maximum Facilities Special Tax Revenue at the time of CFD Formation is shown in Attachment 2 of this RMA and may be reduced due to prepayments in future Fiscal Years.

“City” means the City of Roseville.

“City Council” means the City Council of the City of Roseville, acting as the legislative body of CFD No. 1.

“Commercial Floor Area” means the square footage of commercial area within a building, including, but not limited to, area used for retail, restaurant, office, and service operations. The Commercial Floor Area shall be determined by the Administrator by reference to the site permit, condominium plan, or building plan for the building, or the original construction building permits issued for individual Parcels within the building.

“County” means the County of Placer.

“Developed Property” means, in any Fiscal Year, the following:

- for Single Family Detached Property, all Parcels for which a Final Map was recorded prior to May 1 of the preceding Fiscal Year
- for Single Family Attached Property, all Parcels for which a use permit or building permit for new construction of a residential structure was issued prior to May 1 of the preceding Fiscal Year.
- for Multi-Family Property, all Parcels for which a use permit or building permit for new construction of a residential structure was issued prior to May 1 of the preceding Fiscal Year.
- for Non-Residential Property, all Parcels for which a building permit for new construction of a building was issued prior to May 1 of the preceding Fiscal Year.

“Development Plan” means a condominium plan, apartment plan, site plan or other development plan that identifies such information as the type of structure, acreage, square footage, and/or number of Units that are approved to be developed on Taxable Property within the CFD. This information may be obtained from the City’s Development Activity Updates, which are published periodically by the City’s Planning Department.

“Expected Commercial Revenue” means the Required Revenue within Tax Zone #3 that is expected to be generated by the Initial Commercial Tax on Commercial Floor Area built within that Tax Zone, as shown in Attachment 2.

“Expected Residential Revenue” means the total Required Revenue for Tax Zone #3 less the Expected Commercial Revenue.

“Expected Units” means the total number of Units expected to be built within Tax Zone #1 and Tax Zone #2 at the time of CFD Formation, as identified in Attachment 2 of this RMA.

“Facilities Special Tax” means a special tax levied in any Fiscal Year to pay the Facilities Special Tax Requirement.

“Facilities Special Tax Requirement” means the amount necessary in any Fiscal Year (i) to pay principal and interest on Bonds, (ii) to create or replenish reserve funds, (iii) to pay Administrative Expenses, (iv) to cure any delinquencies in the payment of principal or interest on indebtedness of CFD No. 1 which have occurred in the prior Fiscal Year or (based on delinquencies in the payment of the Facilities Special Taxes which have already taken place) are expected to occur in the Fiscal Year in which the tax will be collected, and (v) to pay construction expenses to be funded directly from Facilities Special Tax proceeds. The amounts referred to in clauses (i) and (ii) of the preceding sentence may be reduced in any Fiscal Year by: (i) interest earnings on or surplus balances in funds and accounts for the Bonds to the extent that such earnings or balances are available to apply against debt service pursuant to a Bond indenture, Bond resolution, or other legal document that sets forth these terms; (ii) proceeds received by CFD No. 1 from the collection of penalties associated with delinquent Facilities Special Taxes; and (iii) any other revenues available to pay debt service on the Bonds as determined by the Administrator.

“Final Map” means a final map, or portion thereof, approved by the City pursuant to the Subdivision Map Act (California Government Code Section 66410 *et seq*) that creates Buildable Lots. The term “Final Map” shall not include any subdivision map or portion thereof, that does not create Buildable Lots, including Assessor’s Parcels that are designated as remainder parcels.

“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 on the following June 30.

“Flat” means any Unit within Tax Zone #3 that is not a Penthouse Condominium or Two-Story Condominium, as defined herein.

“Indenture” means the bond indenture, fiscal agent agreement, trust agreement, resolution or other instrument pursuant to which Bonds are issued, as modified, amended, and/or supplemented from time to time, and any instrument replacing or supplementing the same.

“Initial Commercial Tax” means, in Fiscal Year 2007-08, \$0.36 per square foot of Commercial Floor Area within Tax Zone #3, which amount shall be adjusted beginning in Fiscal Year 2008-09 and each Fiscal Year thereafter, by the Annual Special Tax Escalation Factor.

“Land Use Class” means, individually, Developed Property and Undeveloped Property.

“Maximum Facilities Special Tax” means the greatest amount of Facilities Special Tax that can be levied on an Assessor’s Parcel in any Fiscal Year determined in accordance with Sections C and E below.

“Maximum Services Special Tax” means the greatest amount of Services Special Tax that can be levied on an Assessor’s Parcel in any Fiscal Year determined in accordance with Section D below.

“Maximum Special Tax” means, collectively, the Maximum Facilities Special Tax and Maximum Services Special Tax.

“Multi-Family Property” means, in any Fiscal Year, all Parcels in CFD No. 1 for which a building permit was issued or may be issued for construction of a residential structure with multiple units that share common walls, all of which are offered for rent to the general public.

“Penthouse Condominium” means any Unit on the top floor of the residential structure built in Tax Zone #3 that is greater than or equal to 1,000 square feet of living space.

“Public Property” means any property within the boundaries of CFD No. 1 that is owned by the federal government, State of California, County, City, or other public agency.

“Required Revenue” means the Maximum Facilities Special Tax revenue that, at the time of CFD Formation, was expected to be generated from Taxable Property within each Tax Zone, as identified in Attachment 2 of this RMA. Such amount may be reduced due to prepayments in future Fiscal Years. Required Revenue shall also mean the Maximum Facilities Special Tax assigned to a remainder Parcel within a Final Map pursuant to Sections C.1b and C.2b below.

“RMA” means this Rate and Method of Apportionment of Special Tax.

“Services Special Tax” means a Special Tax levied in any Fiscal Year to pay for Authorized Services.

“Single Family Attached Property” means, in any Fiscal Year, all Buildable Lots in CFD No. 1 for which a building permit was issued or may be issued for construction of a residential structure consisting of two or more Units that share common walls and are offered as for-sale Units, including such residential structures that meet the statutory definition of a condominium contained in Civil Code Section 1351.

“Single Family Detached Property” means, in any Fiscal Year, all Parcels in CFD No. 1 for which a building permit was issued or may be issued for construction of a Unit that does not share a common wall with another Unit.

“Special Tax” means, collectively, the Facilities Special Tax and the Services Special Tax.

“Taxable Property” means all of the Assessor’s Parcels within the boundaries of CFD No. 1 which are not exempt from the Special Tax pursuant to law or Section H below.

“Taxable Public Property” means, in any Fiscal Year, all Parcels of Public Property within CFD No. 1 that, based on a tentative map or other Development Plan, were expected to be Taxable Property and, based on this expectation, Maximum Special Taxes were assigned to the Parcels in prior Fiscal Years.

“Tax Zone” means one of the three mutually exclusive geographic areas identified in Attachment 1 of this RMA.

“Two-Story Condominium” means any Unit within the residential structure built in Tax Zone #3 that has two floors of living space and has a dedicated garage for the exclusive use of the owner of the Unit.

“Undeveloped Property” means, in any Fiscal Year, all Parcels of Taxable Property within CFD No. 1 that are not yet Developed Property.

“Unit” means (i) for Single Family Detached Property, an individual single-family detached unit, (ii) for Single Family Attached Property, an individual residential unit within a duplex, triplex, fourplex, townhome, or condominium structure and (iii) for Multi-Family Property, an individual apartment unit.

B. DATA FOR ADMINISTRATION OF THE SPECIAL TAX

On or about July 1 of each Fiscal Year, the Administrator shall identify the current Assessor’s Parcel numbers for all Parcels of Taxable Property within CFD No. 1. The Administrator shall also determine: (i) whether each Assessor’s Parcel of Taxable Property is Developed Property or Undeveloped Property, (ii) for Parcels of Single Family Attached Property, the number of Units on each Parcel, (iii) the number of Affordable Units, Flats, Penthouse Condominiums, and Two-Story Condominiums within Tax Zone #3, (iv) the Commercial Floor Area on each Parcel, and (v) the Facilities Special Tax Requirement. For Single Family Attached Property, the number of Units shall be determined by referencing the Development Plan for the property.

In any Fiscal Year, if it is determined that: (i) a parcel map for property in CFD No. 1 was recorded after January 1 of the prior Fiscal Year (or any other date after which the Assessor will not incorporate the newly-created parcels into the then current tax roll), (ii) because of the date the parcel map was recorded, the Assessor does not yet recognize the new parcels created by the parcel map, and (iii) one or more of the newly-created parcels is in a different Land Use Class than other

parcels created by the subdivision, the Administrator shall calculate the Special Tax separately for Developed Property and Undeveloped Property within the subdivided area, then levy the sum of these two amounts on the master Parcel that was subdivided by recordation of the parcel map.

Upon recordation of the condominium plan for property in Tax Zone #3, the Affordable Housing Director is to determine the Assessor's Parcels on which Affordable Units will be built. After May 1 of each Fiscal Year, the Administrator shall obtain the Affordable Unit Listing from the Affordable Housing Director to identify such Parcels.

C. CALCULATING THE MAXIMUM FACILITIES SPECIAL TAX

The Administrator shall apply the applicable subsection below to determine the Maximum Facilities Special Tax for each Parcel within each Tax Zone in CFD No. 1:

1. Tax Zone #1

Prior to recordation of a Final Map for property within Tax Zone #1, the Maximum Facilities Special Tax for Parcels within Tax Zone #1 shall be determined as follows:

- Step 1.*** By reference to Attachment 2, identify the Required Revenue for Tax Zone #1.
- Step 2.*** Divide the amount in Step 1 by the total Acreage of Taxable Property within Tax Zone #1 to calculate a Maximum Facilities Special Tax per Acre.
- Step 3.*** Multiply the Maximum Facilities Special Tax per Acre from Step 2 by the Acreage of each Parcel of Taxable Property within Tax Zone #1 to determine the Maximum Facilities Special Tax for each Parcel for the Fiscal Year.

After recordation of a Final Map in Tax Zone #1, the Administrator shall apply the appropriate subsection below:

1a. Final Map Includes All Property in Tax Zone #1

Upon recordation of the Final Map, the Administrator shall divide the Required Revenue for Tax Zone #1 by the number of Buildable Lots created within the Final Map to determine the Maximum Facilities Special Tax for each Buildable Lot.

1b. Final Map Includes Only a Portion of the Property in Tax Zone #1

Upon recordation of the Final Map, the Administrator shall review the map provided in Attachment 1 to determine if the number of Buildable Lots within the Final Map area is equal to the Expected Units for that area. If the number of Buildable Lots is greater than or

equal to the Expected Units, the Maximum Facilities Special Tax for each Buildable Lot shall be the Base Maximum Tax for Tax Zone #1 that is shown in Attachment 2.

If fewer Buildable Lots have been created, the Administrator must review current Development Plans for Tax Zone #1 to determine whether the total number of Units expected to be constructed within Tax Zone #1 has been reduced. If lots have shifted but the Expected Units will still be achieved, the Maximum Facilities Special Tax for each Buildable Lot within the Final Map will be the Base Maximum Tax for Tax Zone #1. If the total number of Units in Tax Zone #1 is expected to be less, the Administrator shall apply the following steps to determine the Maximum Facilities Special Tax for each Buildable Lot:

Step 1b.1: Divide the Required Revenue for Tax Zone #1 by the number of Buildable Lots that are now expected within Tax Zone #1 to determine the Maximum Facilities Special Tax for each Buildable Lot within the Final Map.

Step 1b.2: For the remaining Parcels of Taxable Property within Tax Zone #1 which are not yet Buildable Lots, multiply the amount calculated in Step 1b.1 by the number of Buildable Lots anticipated on each Parcel based on current Development Plans to calculate the Maximum Facilities Special Tax for each Parcel.

Once a Maximum Facilities Special Tax has been assigned to a Parcel of Taxable Property pursuant to Step 1b.2, such amount shall become the Required Revenue for the Parcel for purposes of allocating the Maximum Facilities Special Tax when a subsequent Final Map is recorded.

2. Tax Zone #2

Prior to recordation of a Final Map for property within Tax Zone #2, the Maximum Facilities Special Tax for Parcels within Tax Zone #2 shall be determined as follows:

Step 1. By reference to Attachment 2, identify the Required Revenue for Tax Zone #2.

Step 2. Divide the amount in Step 1 by the total Acreage of Taxable Property within Tax Zone #2 to calculate a Maximum Facilities Special Tax per Acre.

Step 3. Multiply the Maximum Special Tax per Acre from Step 2 by the Acreage of each Parcel of Taxable Property within Tax Zone #2 to determine the Maximum Facilities Special Tax for each Parcel for the Fiscal Year.

After recordation of a Final Map in Tax Zone #2, the Administrator shall apply the appropriate subsection below:

1a. Final Map Includes All Property in Tax Zone #2

Upon recordation of the Final Map, the Administrator shall divide the Required Revenue for Tax Zone #2 by the number of Buildable Lots created within the Final Map to determine the Maximum Facilities Special Tax for each Buildable Lot.

1b. Final Map Includes Only a Portion of the Property in Tax Zone #2

Upon recordation of the Final Map, the Administrator shall review the map provided in Attachment 1 to determine if the number of Buildable Lots within the Final Map area is equal to the Expected Units for that area. If the number of Buildable Lots is greater than or equal to the Expected Units, the Maximum Facilities Special Tax for each Buildable Lot shall be the Base Maximum Tax for Tax Zone #2 that is shown in Attachment 2.

If fewer Buildable Lots have been created, the Administrator must review current Development Plans for Tax Zone #2 to determine whether the total number of Units expected to be constructed within Tax Zone #2 has been reduced. If lots have shifted but the Expected Units will still be achieved, the Maximum Facilities Special Tax for each Buildable Lot within the Final Map will be the Base Maximum Tax for Tax Zone #2. If the total number of Units in Tax Zone #2 is expected to be less, the Administrator shall apply the following steps to determine the Maximum Facilities Special Tax for each Buildable Lot:

Step 1b.1: Divide the Required Revenue for Tax Zone #2 by the number of Buildable Lots that are now expected within Tax Zone #2 to determine the Maximum Facilities Special Tax for each Buildable Lot within the Final Map.

Step 1b.2: For the remaining Parcels of Taxable Property within Tax Zone #2 which are not yet Buildable Lots, multiply the amount calculated in Step 1b.1 by the number of Buildable Lots anticipated on each Parcel based on current Development Plans to calculate the Maximum Facilities Special Tax for each Parcel.

Once a Maximum Facilities Special Tax has been assigned to a Parcel of Taxable Property pursuant to Step 1b.2, such amount shall become the Required Revenue for the Parcel for purposes of allocating the Maximum Facilities Special Tax when a Final Map is recorded.

3. Tax Zone #3

a. Residential Land Uses

Prior to recordation of a condominium plan or other Development Plan that identifies the number, type and size of Units to be constructed within Tax Zone #3, the Maximum Facilities Special Tax for Parcels within Tax Zone #3 shall be determined as follows:

- Step 1.** By reference to Attachment 2, identify the Required Revenue for Tax Zone #3.
- Step 2.** Divide the amount in Step 1 by the total Acreage of Taxable Property within Tax Zone #3 to calculate a Maximum Facilities Special Tax per Acre.
- Step 3.** Multiply the Maximum Special Tax per Acre from Step 2 by the Acreage of each Parcel of Taxable Property within Tax Zone #3 to determine the Maximum Facilities Special Tax for each Parcel for the Fiscal Year.

After recordation of a Development Plan in Tax Zone #3 that identifies the number, type and size of Units to be built within the Tax Zone, the Administrator shall apply the following steps to determine the Maximum Facilities Special Tax for each Parcel within Tax Zone #3:

- Step 1.** By reference to Attachment 2, identify the Required Revenue for Tax Zone #3 and , *if the recorded Development Plan includes Commercial Floor Area*, subtract the Expected Commercial Revenue shown in Attachment 2 from the Required Revenue for Tax Zone #3 to calculate the Expected Residential Revenue.
- Step 2.** Based on information provided in the condominium plan or other Development Plan for Tax Zone #3, determine the number of Units within each Product Type shown in Table 1 below.

TABLE 1
PRODUCT TYPE AND EQUIVALENT DWELLING UNIT FACTORS

<i>Product Type</i>	<i>Equivalent Dwelling Unit Factor</i>
Flats	1.00 per Unit
Two-Story Condominium Units	1.50 per Unit
Penthouse Units	1.75 per Unit
Affordable Unit	0.50 per Unit

- Step 3.** Multiply the number of Units expected within each Product Type by the assigned Equivalent Dwelling Unit (EDU) Factor for each Product Type to calculate the total EDUs created within the condominium plan.
- Step 4.** Divide the amount calculated in Step 1 by the number of EDUs calculated in Step 3 to determine the Maximum Facilities Special Tax per EDU.
- Step 5.** If (i) the Maximum Facilities Special Tax per EDU determined in Step 4 is less than or equal to \$750 in Fiscal Year 2007-08 dollars (to be escalated 2% per year thereafter) or if the Maximum Facilities Special Tax is greater than \$750 in Fiscal

Year 2007-08 dollars (to be escalated 2% per year thereafter) but there is no Commercial Floor Area within the building, proceed to Step 6.

If the Maximum Facilities Special Tax per EDU calculated in Step 4 is greater than \$750 in Fiscal Year 2007-08 dollars (to be escalated 2% per year thereafter) **and** if there is Commercial Floor Area within the building, the Administrator shall apply the following steps:

- Step 5a.* Calculate the Special Tax revenue that can be generated from all Units within the building assuming a Maximum Facilities Special Tax of \$750 per EDU in Fiscal Year 2007-08 dollars (to be escalated 2% per year thereafter);
 - Step 5b.* Subtract the amount calculated in Step 5a from the amount calculated in Step 1;
 - Step 5c.* Divide the amount determined in Step 5b by the square footage of Commercial Floor Area within the building, which amount shall be included as part of the Maximum Facilities Special Tax per square foot of Commercial Floor Area as discussed further in Section C.3.b. below;
 - Step 5d.* For purposes of Step 6 below, use a Maximum Special Tax per EDU of \$750 in Fiscal Year 2007-08 dollars, escalated 2% per year thereafter.
- Step 6.** Multiply the Maximum Facilities Special Tax per EDU from Step 5 by the EDU factor for each Product Type to determine the Maximum Facilities Special Tax per Unit within each Product Type.
- Step 7.** Determine the Product Type being constructed on each Parcel within Tax Zone #3 on which Units will be built and assign the appropriate Maximum Facilities Special Tax determined in Step 6 to each Parcel.

Once a Maximum Facilities Special Tax has been assigned to a Parcel, the Maximum Facilities Special Tax shall never be reduced regardless of changes in Product Type on the Parcel in future Fiscal Years.

b. Commercial Floor Area

The Maximum Facilities Special Tax for Commercial Floor Area within Tax Zone #3 shall be the sum of (i) the amount determined by dividing the Expected Commercial Revenue shown in Attachment 2 by the Commercial Floor Area created or to be created within Tax Area #3 pursuant to

the appropriate Development Plan, and (ii) the amount determined in Step 5c above, if applicable. If no Commercial Floor Area is reflected in the Development Plan, the Required Revenue for Tax Zone #3 shall all be Expected Residential Revenue for purposes of applying Section C.3.a. above.

D. MAXIMUM SERVICES SPECIAL TAX

The Maximum Services Special Tax for all Parcels of Developed Property in Fiscal Year 2007-08 is \$18 per Unit (including Affordable Units) or Buildable Lot. The Services Special Tax shall only be levied on Single Family Detached Property, Single Family Attached Property, and Multi-Family Property within the CFD.

E. CHANGES TO THE MAXIMUM SPECIAL TAX

1. Annual Escalation of Special Taxes

Beginning in Fiscal Year 2008-09, and each Fiscal Year thereafter, the Maximum Facilities Special Tax and the Maximum Services Special Tax for each Parcel in CFD No. 1, and the Required Revenue for each Tax Zone, shall be adjusted by the Annual Special Tax Escalation Factor.

2. Affordable Units that Become Market-Rate Units

If, in any Fiscal Year, the Affordable Housing Director determines that a Unit in Tax Zone #3 that had previously been designated as an Affordable Unit no longer qualifies as such, the Affordable Housing Director shall update the Affordable Unit Listing by denoting the change in status of the Unit, together with the effective date thereof. The Maximum Facilities Special Tax on the Unit that no longer qualifies as an Affordable Unit shall be increased to double the amount that would have applied in that Fiscal Year if the Unit had remained as an Affordable Unit. In subsequent Fiscal Years, this increased Maximum Facilities Special Tax shall continue to escalate two percent (2%) per year.

3. Conversion of a Parcel of Public Property to Private Use

If, in any Fiscal Year, a Parcel of Public Property is converted to private use, such Parcel shall be subject to the levy of the Special Tax. The Maximum Special Tax for each such Parcel shall be determined based on the average Maximum Special Tax per unit or acre for Parcels with similar land use designations, as determined by the Finance Director.

F. METHOD OF LEVY OF THE SPECIAL TAX

1. Facilities Special Tax

Each Fiscal Year, the Administrator shall determine the Facilities Special Tax Requirement for that Fiscal Year and levy the Facilities Special Tax on all Parcels of Taxable Property as follows:

Step 1: The Facilities Special Tax shall be levied proportionately on each Parcel of Developed Property within the CFD up to 100% of the Maximum Facilities Special Tax for each Parcel for such Fiscal Year until the amount levied on Developed Property is equal to the Facilities Special Tax Requirement prior to applying Capitalized Interest that is available under the applicable Indenture;

Step 2: If additional revenue is needed after Step 1 in order to meet the Facilities Special Tax Requirement after Capitalized Interest has been applied to reduce the Facilities Special Tax Requirement, the Facilities Special Tax shall be levied proportionately on each Assessor's Parcel of Undeveloped Property, up to 100% of the Maximum Facilities Special Tax for each Parcel for such Fiscal Year;

Step 3: If additional revenue is needed after Step 2, the Facilities Special Tax shall be levied proportionately on each Assessor's Parcel of Taxable Public Property, up to 100% of the Maximum Facilities Special Tax assigned to each Parcel.

2. Services Special Tax

Each Fiscal Year, the Maximum Services Special Tax shall be levied on all Parcels of Developed Property within the CFD that are Single Family Detached Property, Single Family Attached Property, or Multi-Family Property.

G. COLLECTION OF SPECIAL TAX

The Special Tax shall be collected in the same manner and at the same time as ordinary ad valorem property taxes, provided, however, that prepayments of the Facilities Special Tax are permitted as set forth in Section I below and provided further that the City may directly bill, collect at a different time or in a different manner, and/or collect delinquent Special Taxes through foreclosure or other available methods.

The Facilities Special Tax shall be levied and collected until principal and interest on Bonds have been repaid, costs of constructing or acquiring authorized facilities from Facilities Special Tax

proceeds have been paid, and all Administrative Expenses have been reimbursed. However, in no event shall a Facilities Special Tax or a Services Special Tax be levied after Fiscal Year 2040-41. Under no circumstances may the Facilities Special Tax on one Parcel in the CFD be increased by more than ten percent (10%) as a consequence of delinquency or default in payment of the Facilities Special Tax levied on another Parcel or Parcels in the CFD.

H. EXEMPTIONS

Notwithstanding any other provision of this RMA, no Special Tax shall be levied on Public Property, except Taxable Public Property, as defined herein. In addition, no Special Tax shall be levied on Parcels that are not Public Property but are (i) designated as permanent open space or common space on which no structure is permitted to be built, (ii) owned by a public utility for use as an unmanned facility, or (iii) subject to an easement that precludes any other use on the Parcel. Notwithstanding the foregoing, if a Maximum Facilities Special Tax was assigned to a Parcel, and the entire Parcel ends up subject to one of the exemptions set forth above, the Parcel shall remain subject to the Facilities Special Tax until a prepayment is received that releases such Parcel from the Facilities Special Tax obligation.

I. PREPAYMENT OF FACILITIES SPECIAL TAX

The following definitions apply to this Section I:

“Outstanding Bonds” means all Previously Issued Bonds which remain outstanding, with the following exception: if a Facilities Special Tax has been levied against, or already paid by, an Assessor’s Parcel making a prepayment, and a portion of the Facilities Special Tax will be used to pay a portion of the next principal payment on the Bonds that remain outstanding (as determined by the Administrator), that next principal payment shall be subtracted from the total Bond principal that remains outstanding, and the difference shall be used as the amount of Outstanding Bonds for purposes of this prepayment formula.

“Previously Issued Bonds” means all Bonds that have been issued on behalf of the CFD prior to the date of prepayment.

“Public Facilities Requirements” means either \$5,625,000 in 2007 dollars, which shall increase on January 1, 2008, and on each January 1 thereafter by the percentage increase, if any, in the construction cost index for the San Francisco region for the prior twelve (12) month period as published in the Engineering News Record or other comparable source if the Engineering News Record is discontinued or otherwise not available, or such other number as shall be determined by the City to be an appropriate estimate of the net construction proceeds that will be generated from all Bonds that have been or are expected to be issued on behalf of CFD No. 1.

“Remaining Facilities Costs” means the Public Facilities Requirements (as defined above), minus public facility costs funded by Previously Issued Bonds (as defined above), developer equity, and/or any other source of funding.

1. Full Prepayment

The Facilities Special Tax obligation applicable to an Assessor’s Parcel in the CFD may be prepaid and the obligation of the Assessor’s Parcel to pay the Facilities Special Tax permanently satisfied as described herein, provided that a prepayment may be made only if (i) the Parcel is part of a recorded Development Plan that allows the Administrator to identify the final land uses on the Parcel for purposes of applying this RMA, and (ii) there are no delinquent Special Taxes with respect to such Assessor’s Parcel at the time of prepayment. An owner of an Assessor’s Parcel intending to prepay the Special Tax obligation shall provide the City with written notice of intent to prepay. The Services Special Tax obligation may not be prepaid. Within 30 days of receipt of such written notice, the City or its designee shall notify such owner of the prepayment amount for such Assessor’s Parcel. Prepayment must be made not less than 75 days prior to any redemption date for Bonds to be redeemed with the proceeds of such prepaid Special Taxes. The Prepayment Amount shall be calculated as follows: (capitalized terms as defined below):

	Bond Redemption Amount
plus	Remaining Facilities Amount
plus	Redemption Premium
plus	Defeasance Requirement
plus	Administrative Fees and Expenses
<u>less</u>	<u>Reserve Fund Credit</u>
equals	Prepayment Amount

As of the proposed date of prepayment, the Prepayment Amount shall be determined by application of the following steps:

- Step 1.** Determine the Maximum Facilities Special Tax that could be collected from the Assessor’s Parcel prepaying the Facilities Special Tax in the Fiscal Year in which prepayment would be received by the City.
- Step 2.** Divide the Maximum Facilities Special Tax from Step 1 by the CFD Maximum Facilities Special Tax Revenues for the Fiscal Year in which prepayment would be received by the City.
- Step 3.** Multiply the quotient computed pursuant to Step 2 by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (*the “Bond Redemption Amount”*).

- Step 4.** Compute the current Remaining Facilities Costs (if any).
- Step 5.** Multiply the quotient computed pursuant to Step 2 by the amount determined pursuant to Step 4 to compute the amount of Remaining Facilities Costs to be prepaid (*the “Remaining Facilities Amount”*).
- Step 6.** Multiply the Bond Redemption Amount computed pursuant to Step 3 by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (*the “Redemption Premium”*).
- Step 7.** Compute the amount needed to pay interest on the Bond Redemption Amount starting with the first Bond interest payment date after which the prepayment has been received until the earliest redemption date for the Outstanding Bonds, which, depending on the Bond offering document, may be as early as the next interest payment date.
- Step 8:** Compute the amount of interest the City reasonably expects to derive from reinvestment of the Bond Redemption Amount plus the Redemption Premium from the first Bond interest payment date after which the prepayment has been received until the redemption date for the Outstanding Bonds.
- Step 9:** Take the amount computed pursuant to Step 7 and subtract the amount computed pursuant to Step 8 (the *“Defeasance Requirement”*).
- Step 10.** Determine the costs of computing the prepayment amount, the costs of redeeming Bonds, and the costs of recording any notices to evidence the prepayment and the redemption (the *“Administrative Fees and Expenses”*).
- Step 11.** If and to the extent so provided in the indenture pursuant to which the Outstanding Bonds to be redeemed were issued, a reserve fund credit shall be calculated as a reduction in the applicable reserve fund for the Outstanding Bonds to be redeemed pursuant to the prepayment (the *“Reserve Fund Credit”*).
- Step 12.** The Special Tax prepayment is equal to the sum of the amounts computed pursuant to Steps 3, 5, 6, 9, and 10, less the amount computed pursuant to Step 11 (the *“Prepayment Amount”*).

2. Partial Prepayment

A partial prepayment may be made in an amount equal to any percentage of full prepayment desired by the party making a partial prepayment, except that the full amount of administrative fees and

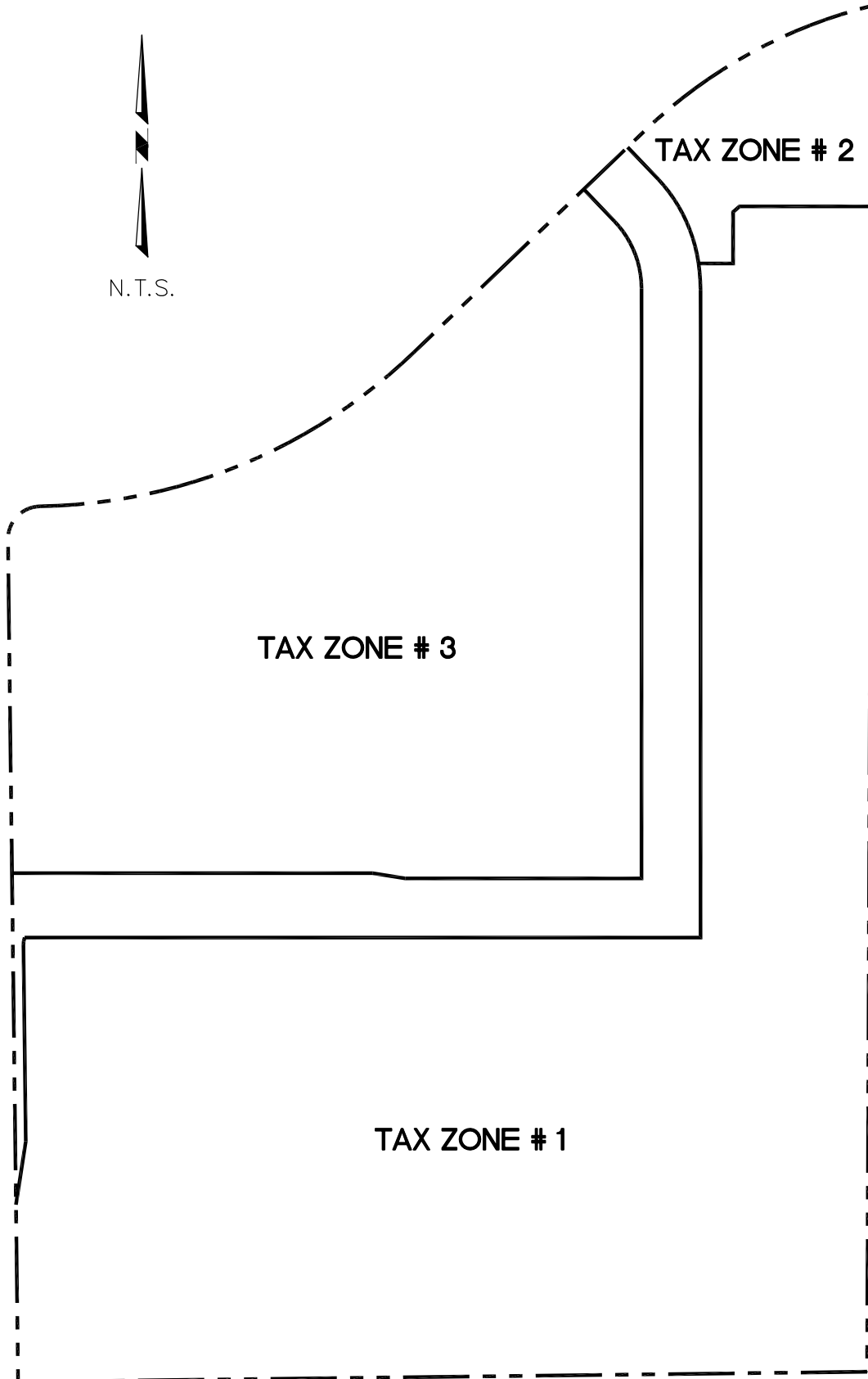
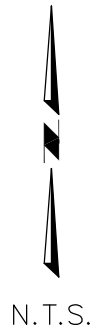
expenses determined in Step 10 shall be included in the partial prepayment. The Maximum Facilities Special Tax that can be levied on a Parcel after a partial prepayment is made is equal to the Maximum Facilities Special Tax that could have been levied prior to the prepayment, reduced by the percentage of the full prepayment that the partial prepayment represents, all as determined by or at the direction of the Administrator.

J. INTERPRETATION OF SPECIAL TAX FORMULA

The City reserves the right to make minor administrative and technical changes to this document that does not materially affect the rate and method of apportioning the Special Taxes. In addition, the interpretation and application of any section of this document shall be left to the City's discretion. Interpretations may be made by the City by ordinance or resolution for purposes of clarifying any vagueness or ambiguity in this RMA.

DIAMOND CREEK DC-31 TAX ZONES

JANUARY 25, 2007



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ATTACHMENT 2

**CITY OF ROSEVILLE
DIAMOND CREEK COMMUNITY FACILITIES DISTRICT NO. 1
(PUBLIC FACILITIES)**

EXPECTED LAND USES AND REQUIRED REVENUES

Tax Zone	Expected Land Uses	Base Maximum Tax Fiscal Year 2007-08 *	Required Revenues Fiscal Year 2007-08 *
Tax Zone #1	131 Units	\$1,425 per Unit	\$186,675
Tax Zone #2	8 Units	\$1,100 per Unit	\$8,800
Tax Zone #3	75,000 commercial square feet	\$0.36 per square foot of Commercial Floor Area	\$27,000
	Units	Per Unit amount to be determined per Section C.3.a of the RMA	\$219,525
CFD Maximum Facilities Special Tax Revenue			\$442,000

* These amounts apply only to the Facilities Special Tax; the Services Special Tax is identified in Section D above and is not part of the Required Revenues. Beginning in Fiscal Year 2008-09, and each Fiscal Year thereafter, the Base Maximum Special Tax and Required Revenues for each Tax Zone shall be adjusted by the Annual Special Tax Escalation Factor.

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APPENDIX B
THE APPRAISAL

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Seevers
Jordan
Ziegenmeyer

Real Estate Appraisal & Consultation

Self-Contained Appraisal Report

Diamond Creek Villages Community Facilities District No. 1 (Series 2007)

APN: 017-115-032

Along the east line of Diamond Creek Blvd.,
north of Blue Oaks Blvd.
Roseville, California 95747



Date of Report: April 6, 2007

Prepared For:

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

Prepared By:

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



Seevers
Jordan
Ziegenmeyer

Real Estate Appraisal & Consultation

April 6, 2007

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

RE: Diamond Creek Villages CFD No. 1 (Series 2007)
APN: 017-115-032
Along the east line of Diamond Creek Blvd.,
north of Blue Oaks Blvd.
Roseville, California 95747

Dear Mr. Branson:

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

The appraisal report has been conducted in accordance with appraisal standards and guidelines found in the Uniform Standards of Professional Appraisal Practice (USPAP) and the Appraisal Standards for Land Secured Financing, published by the California Debt and Investment Advisory Commission (2004). This report documents a Self-Contained Appraisal Report and is intended to comply with the reporting requirements set forth under Standards Rule 2-2(a) of USPAP.

The Diamond Creek Villages CFD No. 1 bond issuance is scheduled to fund certain portions of the public improvements required for the development of 131 single-family residential lots, eight townhouse lots, and a 6.52-acre site planned for the construction of multi-story, mixed-use commercial and residential buildings with ground level retail/office space and 352 residential condominium units (including 50 affordable housing units) situated above the commercial space. The gross acreage of all of the components comprising the subject is 19.09 acres. The financing provided through the bond issuance will be used for improvements relating to site work associated with the subject development. These improvements include—but are not limited to—drainage, water, sewer, wet and dry utilities, concrete curbs, gutters and sidewalks, street lighting, landscaping, masonry walls, erosion control, signing and striping, traffic signals, and other miscellaneous improvements.

Northern California/Nevada
3825 Atherton Road, Suite 500 Rocklin, California 95765
P: (916) 435-3883 F: (916) 435-4774

Central California
1100 W. Shaw Avenue, Suite 128 Fresno, California 93711
P: (559) 243-9960 F: (559) 243-9965

The subject property is located in the North Roseville Specific Plan (NRSP) area of the city of Roseville, Placer County, California. Adopted on August 6, 1997, with June 1998 and March 2000 amendments, the NRSP encompasses approximately 1,552 acres and is projected for the build-out of 4,318 single-family units, 663 multifamily units, 400 age-restricted residences, 108.9± acres of commercial development, 69.1± acres of public/quasi-public uses (e.g., schools, places of worship), and 301.7± acres of parks, recreation and open space. The subject is situated within the confines of a single assessor's parcel identified as APN 017-115-032, which is located along the east line of Diamond Creek Boulevard, north of Blue Oaks Boulevard.

We have been requested to provide an estimate of hypothetical market value of the subject property as of the date of inspection (February 22, 2007). The value estimate assumes a transfer would reflect a cash transaction or terms considered to be equivalent to cash. The estimate is also premised on an assumed sale after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with buyer and seller each acting prudently, knowledgeably, for their own self-interest, and assuming neither is under duress.

In light of the fact that the improvements to be financed by the District bonds were not in place as of our date of inspection, the value estimate is subject to a hypothetical condition, defined as "that which is contrary to what exists but is supposed for the purposes of analysis."¹ Specifically, the hypothetical market value estimate assumes the completion of the public facilities to be financed by the Diamond Creek Villages Community Facilities District No. 1 bond issuance (Series 2007 bonds). The estimate of value also accounts for the impact of the lien of the Special Tax securing the bonds. As a result of our analysis, it is our opinion the hypothetical market value of the subject property, in accordance with the definitions, certifications, assumptions and significant factors set forth in the attached document (please refer to pages 8 through 10), as of February 22, 2007, is...

THIRTY-ONE MILLION ONE HUNDRED THOUSAND DOLLARS

\$31,100,000

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

This letter must remain attached to the report, which contains 158 pages, plus related exhibits and Addenda, in order for the value opinion contained herein to be considered valid.

¹The Uniform Standards of Professional Appraisal Practice, 2006 ed. (Appraisal Standards Board), 3.

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

Sincerely,



P. Richard SeEVERS, MAI
State Certification No.: AG001723
Expiration Date: August 12, 2008



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



Nelson M. Wong, Appraiser
State Certification No.: AG034862
Expiration Date: August 12, 2008

/lam

TABLE OF CONTENTS

Transmittal Letter

Table of Contents

Summary of Important Facts and Conclusions 1

Introduction

Property Description and History	3
Type and Definition of Value	5
Client, Intended User and Intended Use of the Appraisal	5
Property Rights Appraised	5
Appraisal Report Format	6
Dates of Inspection, Value and Report	6
Scope of the Appraisal	6
Extraordinary Assumptions, Significant Factors and Hypothetical Conditions	8
General Assumptions and Limiting Conditions	9
Certification(s) of Value	11

Market Area

Sacramento Metropolitan Area Regional Overview	14
South Placer County Overview	27
Neighborhood Overview	37
Sacramento Metropolitan Area Housing Market Overview	42
Roseville Housing Market Overview	52
Retail Market Overview	57

Subject Property

Property Identification and Legal Data	63
Site Description	69
Facilities to be Financed By the District	75
Subject Photographs	76
Highest and Best Use Analysis	78

Valuation Analysis

Approaches to Value	84
Appraisal Methodology	87
Hypothetical Market Valuation	88
Final Conclusion of Hypothetical Market Value	158

Addenda

Rate and Method of Apportionment
Sources and Uses of Funds
Preliminary Title Report
Exhibits G-1, G-2 and G-3 of the Purchase Agreement
Glossary of Terms
Qualifications of Appraiser(s)

SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS

Appraised Property:	The appraised property comprises the land situated within the boundaries of Diamond Creek Villages Community Facilities District (CFD) No. 1.
Land Use:	The properties within the District consist of 131 single-family residential lots, eight townhouse lots, and a 6.52-acre site planned for the development of multi-story, mixed-use commercial and residential buildings with ground level retail/office space and 352 residential condominium units (including 50 affordable housing units) situated above the commercial space.
Location:	Along the east line of Diamond Creek Boulevard, north of Blue Oaks Boulevard, within the city of Roseville, Placer County, California
Street Address:	110 Diamond Creek Place Roseville, California 95747
Assessor's Parcel Number(s):	The subject property is situated within the confines of a single assessor's parcel identified as 017-115-032.
Owner(s) of Record:	Diamond Creek Partners, Ltd.
Census Tract Number:	210.05/1
Zoning:	Combined zoning that includes RS/DS – Small Lot Residential, CMU/SA – Commercial Mixed Use/Special Area, and R3 – Attached Housing. For a complete description of the underlying zoning ordinances, please refer to the <i>Property Identification and Legal Data</i> section of this report.
Flood Zone:	Flood Zone X – Areas outside of the 100 and 500-year floodplains. Flood insurance is not required.
Earthquake Zone:	Zone 3 – Moderate seismic activity (not located in a Fault-Rupture Hazard Zone)
Land Area:	
Single-Family Residential (131 lots)	11.82± acres
Townhouse Component (8 lots)	0.75± acres
Mixed-Use Commercial/Residential	<u>6.52± acres</u>
Total	19.09± acres

Highest and Best Use:	Development as a mixed-use residential and commercial project in accordance with the underlying zoning designations and entitlements.
Date of Inspection:	February 22, 2007
Effective Date of Value:	February 22, 2007
Date of Report:	April 6, 2007
Property Rights Appraised:	Fee simple estate
Conclusion of Hypothetical Market Value:	\$31,100,000
	The value conclusion is subject to the <i>General and Extraordinary Assumptions, Limiting Conditions, Significant Factors, and Hypothetical Conditions</i> referenced on pages 8 through 10 of this report.

INTRODUCTION

Property Description and History

The Diamond Creek Villages CFD No. 1 bond issuance is scheduled to fund certain portions of the public improvements required for the development of 131 single-family residential lots, eight townhouse lots, and a 6.52-acre site planned for the development of multi-story, mixed-use commercial and residential buildings with ground level retail/office space and 352 residential condominium units (including 50 affordable housing units) situated above the commercial space.



The subject property is located in the North Roseville Specific Plan (NRSP) area of the city of Roseville, Placer County, California. Adopted on August 6, 1997, with June 1998 and March 2000 amendments, the NRSP encompasses approximately 1,552 acres and is projected for the build-out of 4,318 single-family units, 663 multifamily units, 400 age-restricted residences, 108.9± acres of commercial development, 69.1± acres of public/quasi-public uses (e.g., schools, places of worship), and 301.7± acres of parks, recreation and open space.

Situated within the confines of a single assessor's parcel identified as APN 017-115-032, the subject is located along the east line of Diamond Creek Boulevard, north of Blue Oaks Boulevard. Land uses in the subject's immediate area are devoted primarily to residential uses and supporting commercial development, both of which have experienced steady acceptance by the market. With the development of the Fiddymment Ranch and Westpark master planned communities in nearby West Roseville, there are a variety of land uses, including single and multifamily residential, commercial and recreational uses that will be incorporated into the area in the near-term.

The subject property is also identified as Parcel DC-31 within the North Roseville Specific Plan. On July 11, 2002, a major project permit for the subject parcel, in conjunction with Parcels DC-30 and DC-33, was approved by the Planning Commission for the development of a mixed-use commercial and office project with 360,500 square feet of rentable area. The entitlements were modified in May 2004 and again in 2005, resulting in a reduction in rentable area to 351,173 square feet, with 253,500 square feet allocated to the subject property (Parcel DC-31). At that time the property was designated for commercial development under the General Plan and Specific Plan, with a CC – Community Commercial zoning ordinance. On November 9, 2006, the Planning Commission approved a motion with a 3 to 2 vote to amend the General Plan, Specific Plan, and zoning designation to allow for a combination of commercial and residential development. While those in opposition of the proposed project filed an appeal, the City Council met on February 21, 2007 to

hear/approve the General Plan Amendment, Specific Plan Amendment, zoning, and entitlements for the subject development, thereby denying the appeal. With this approval, the subject property was rezoned to include a combination of RS/DS – Small Lot Residential, CMU/SA – Commercial Mixed Use/Special Area, and R3 – Attached Housing. Additionally, a Development Agreement is in place between the City of Roseville and Diamond Creek Partners, Ltd. that grants the right to develop the property as planned, so long as the density, intensity, rate and timing of the development remains consistent with the amended North Roseville Specific Plan and Development Agreement.

The single-family residential component of the subject property consists of 131 detached lots with a typical lot size of 2,500 square feet. While the lots are detached, the project is representative of a cluster housing subdivision in which the lots will correspond to the footprint of each residence, along with an enclosed patio area. Additionally, the subject's proposed units will have shared common areas, including driveways, landscaping, and parks, all of which will be owned and maintained by a Homeowner's Association (HOA). Additionally, there are several larger lots that are anticipated to receive premiums relative to the standard lot. The townhouse component is located at the northeast corner of the subject parcel and will be developed with eight attached units with a density of 10.66 units per acre. Finally, the 6.52-acre mixed-use site is proposed for 75,000 square feet of retail space and covered parking on the first floor, with 352 residential condominium units situated in three separate buildings above the commercial space and parking. These mixed-use buildings will be four to five stories upon completion.

While there are several two to three-story condominium and apartment conversion projects throughout the Roseville/Rocklin submarket, a mixed-use project such as that proposed for the subject will be unique to the area. These types of developments, both planned and existing, are more readily found in higher density urban submarkets, such as the Central Business District and Midtown areas of Downtown Sacramento.

With respect to the sales history, the subject property has not been involved in any transactions within the previous three years. The single-family component of the subject property was placed under contract to Centex Homes on September 12, 2006. Pursuant to the agreement, the purchase price is \$13,116,097, with a stipulation that the price can be adjusted upward if market conditions and/or home prices appreciate prior to the scheduled date of closing (April 2007). Examples of such price adjustments are detailed in Exhibits G-2 and G-3 of the contract. To summarize, the purchase price of \$13,116,097 was calculated based on a static residual analysis that considered home prices as of the date of the contract. This residual analysis is presented in Exhibit G-1 of the purchase agreement. As detailed in Exhibits G-2 and G-3, if home prices appreciate, overall revenue would increase, which would result in a higher residual land value and purchase price at close of escrow. This is an arm's length, market transaction. Furthermore, based on the analysis contained herein, the purchase price appears to be consistent with market (assuming no change in price as of the date of inspection).

Type and Definition of Value

The purpose of this appraisal is to estimate the hypothetical market value of the subject property, assuming the completion of the primary infrastructure and facilities to be financed by the Diamond Creek Villages Community Facilities District No. 1 bond issuance (Series 2007 bonds). Market value is defined as follows:

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

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their own best interest;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U. S. Dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.²

In light of the fact that the improvements to be financed by the District bonds were not in place as of our date of inspection, the value estimate is subject to a hypothetical condition, defined as “that which is contrary to what exists but is supposed for the purposes of analysis.”³

Client, Intended User and Intended Use of the Appraisal

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

Property Rights Appraised

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

Fee Simple Estate: absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.⁴

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

³ The Uniform Standards of Professional Appraisal Practice, 2006 ed. (Appraisal Standards Board), 3.

⁴ The Dictionary of Real Estate Appraisal, 4th ed. (Chicago: Appraisal Institute, 2002), 113.

The rights appraised are subject to the *General and Extraordinary Assumptions, Limiting Conditions and Significant Factors* contained in this report and to any exceptions, encroachments, easements and rights-of-way recorded. Primary among the assumptions in this analysis is the premise that the value estimate reflects the completion of the public facilities to be financed by the Series 2007 bonds, and it accounts for the impact of the lien of the Special Tax securing the bonds.

Appraisal Report Format

This report documents a Self-Contained Appraisal Report, intended to comply with the reporting requirements set forth under Standards Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice (USPAP). The appraisal report has also been conducted in accordance with the Appraisal Standards for Land Secured Financing, published by the California Debt and Investment Advisory Commission (2004).

Dates of Inspection, Value and Report

An inspection of the subject property was completed on February 22, 2007, which represents the effective date of hypothetical market value. This appraisal report was completed and assembled on April 6, 2007.

Scope of the Appraisal

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

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

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

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

We have been requested to provide an estimate of hypothetical market value of the subject property as of the date of inspection, assuming the completion of the improvements to be financed by the Diamond Creek Villages CFD No. 1 bond issuance (Series 2007 bonds). The subdivision development method to value (discounted cash flow analysis) was relied upon in the analysis of the subject property. As a component of the subdivision development method, the sales comparison approach and extraction technique were employed to derive separate estimates of revenue for the single-family residential and townhouse components. We then utilized a land residual analysis to estimate the revenue for the 6.52-acre mixed-use site. This methodology considered the projected selling prices of the condominium units and retail building as improved, then reduced that value by the construction costs and developer's profit for the construction of the improvements. Additionally, this method took into account projected sell-out of the condominiums and retail building, resulting in an estimate of residual value (revenue) for the land. Finally, the revenue indicators were incorporated into a discounted cash flow analysis to arrive at our conclusion of hypothetical market value of the subject property.

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

This appraisal report has been conducted in accordance with appraisal standards and guidelines found in the Uniform Standards of Professional Appraisal Practice (USPAP) and the Appraisal Standards for Land Secured Financing, published by the California Debt and Investment Advisory Commission (2004).

EXTRAORDINARY ASSUMPTIONS, SIGNIFICANT FACTORS AND HYPOTHETICAL CONDITIONS

Extraordinary Assumptions and Significant Factors

1. The estimate of hypothetical market value derived in this report is directly tied to the subdivision map prepared by Uhora Engineering and Planning. Any significant change in the number or size of the new parcels could affect the value of the subject property. It is assumed the subject will be subdivided as represented. If, at some future date, alternate mapping of the subject property is implemented, there will necessarily be a direct impact on value, and the opinion(s) of value would be altered.
2. The entitlements for the subject development were split into two stages, with the single-family, townhouse and commercial components having Stage 1 and 2 approvals, and the condominiums having Stage 1 approval. The purpose of splitting the approvals was to allow the Planning Commission the ability to review all design details of the condominiums prior to granting Stage 2 (final) approval. The overall density and unit count for the 352 residential condominium units was approved in Stage 1, but it is possible for the number of condominium units to change depending on the design guidelines of the Planning Commission. If the overall number of condominium units changes at (or prior to) final map recordation, the value opinion(s) contained herein could be altered.
3. The subject property represents a single assessor's parcel identified as APN 017-115-032. It is assumed lot line adjustments will be made in order to enable the transfer of the subject's land components as separate, legal parcels.
4. We have been provided site development cost projections for the subject property. In comparing these costs with the costs for other residential and commercial developments in the region, it appears the budgeted costs are reasonable. Any significant variations from the cost projections used in this analysis could have an impact on the value(s) concluded in this report.

Hypothetical Conditions

5. The estimate of hypothetical market value assumes the completion of the public infrastructure improvements to be financed by the Diamond Creek Villages Community Facilities District No. 1 bond issuance (Series 2007 bonds). The funds provided through the bond issuance will be used for improvements relating to site work associated with the subject property. These improvements include—but are not limited to—drainage, water, sewer, wet and dry utilities, concrete curbs, gutters and sidewalks, street lighting, landscaping, masonry walls, erosion control, signing and striping, traffic signals, and other miscellaneous improvements.

GENERAL ASSUMPTIONS AND LIMITING CONDITIONS

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

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

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

CERTIFICATION OF VALUE

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

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



P. RICHARD SEEVERS, MAI
State Certification No.: AG001723 (Expires: August 12, 2008)

CERTIFICATION OF VALUE

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

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



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

CERTIFICATION OF VALUE

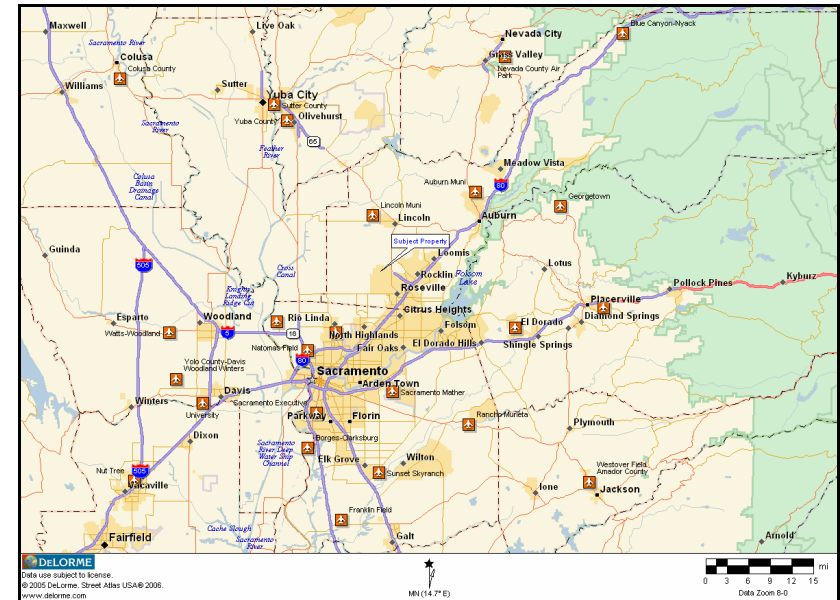
I certify that, to the best of my knowledge and belief:

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



NELSON M. WONG, APPRAISER
State Certification No.: AG034862 (Expires: August 12, 2008)

SACRAMENTO METROPOLITAN AREA REGIONAL OVERVIEW



Introduction

The Sacramento Area is comprised of Sacramento, Placer, El Dorado, Yolo, Yuba and Sutter Counties. Located in the north-central part of the state of California, the Sacramento Area has proven to be one of the fastest-growing markets among major metropolitan areas in the United States. In order to provide a closer look at the region's progressive growth and its outlook for the next few years, we will present information on geographical, social, demographic, economic and environmental influences within the region. In the final section, we will summarize the impact these forces have on the overall desirability and competitiveness of the region.

The six-county region encompasses approximately 6,561 square miles, from the Sacramento River Delta in the west to the Sierra Nevada mountain range in the east. At the center of the region is Sacramento County, which encompasses approximately 996 square miles near the middle of the Central Valley. The county's largest city, Sacramento, is the seat of government for the County, as well as the State Capital. Surrounding Sacramento are several smaller towns and communities, including college towns, tourist destinations, suburban communities and agricultural centers. The city of Sacramento is located approximately 385 miles north of Los Angeles, 500 miles south of

Oregon, 85 miles northeast of San Francisco, 105 miles west of South Lake Tahoe, and 135 miles southwest of Reno, Nevada.

Geography & Climate

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

The region's climate is fairly mild, with moderate rainfall in winter, virtually none in summer, and a relatively comfortable temperature range year-round. However, temperatures can reach over 100°F in the summer on the valley floor, and heavy rain and snowfall can occur during winter months in the northeastern part of the region in the mountainous areas of Placer and El Dorado Counties. Sacramento's climate is warm and dry in the summer with an average daytime high temperature of 93°F, and a comfortable 58° at night. During Sacramento's winter, daytime high temperatures are typically between 53° and 60°. During the rainy season from November through April, an accumulation of about 18 inches of rain is normal.

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

Recreation & Culture

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

within the Sacramento Area offer boating, fishing and water-skiing opportunities. In addition, numerous parks and golf courses are located throughout the region.

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

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

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

Population

The Sacramento Area is among the fastest-growing metropolitan areas in the United States, with growth of 20% between 1990 and 2000. The following table shows recent population growth in the six-county region.

POPULATION TRENDS

County	2001	2002	2003	2004	2005	2006	Annual Rate of Growth
Sacramento	1,252,509	1,287,246	1,317,806	1,344,867	1,366,937	1,385,607	2.0%
Placer	258,563	271,109	283,942	297,033	308,431	316,508	4.1%
El Dorado	160,486	164,066	167,238	170,205	173,511	176,204	1.9%
Yolo	172,677	177,575	181,337	184,673	187,575	190,344	2.0%
Yuba	61,060	62,382	63,749	65,237	67,394	69,827	2.7%
Sutter	80,208	81,912	84,177	86,694	89,170	91,450	2.7%
Total	1,985,503	2,044,290	2,098,249	2,148,709	2,193,018	2,229,940	2.3%

Source: California Department of Finance

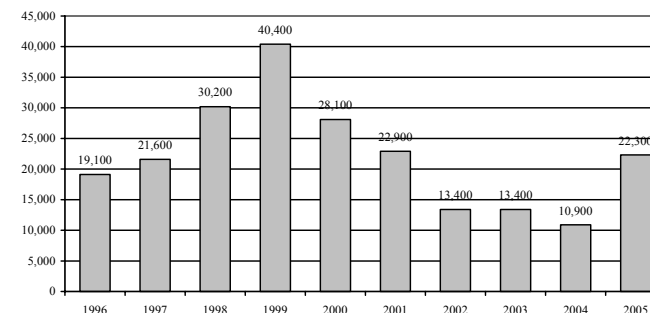
The region's population grew by 12% between 2001 and 2006, for an annual growth rate of 2.3%. Placer County has led the region with growth of 4.1% per year. Most of this growth has occurred in the cities of Roseville, Rocklin and Lincoln. The majority of the region's growth is attributed to in-migration of residents from other California and U.S. areas. In fact, in each of the last five years, between 60% and 80% of the population growth was attributed to in-migration.

The population in the region is expected to continue growing. According to the California Department of Finance, the population in the Sacramento Area is projected to increase to about 2.4 million by 2010 and about 3 million by 2020. The region's growth is expected to outpace the growth of nearly all other metropolitan areas in California, as well as the state as a whole.

Employment

The Sacramento Area represents one of the strongest employment centers in California. While many areas in the state and nation experienced economic slowing and even recessions in the 2000-2003 period, employment growth in the Sacramento region has been positive each year for at least the last decade. The following table exhibits employment growth in the region over the past 10 years.

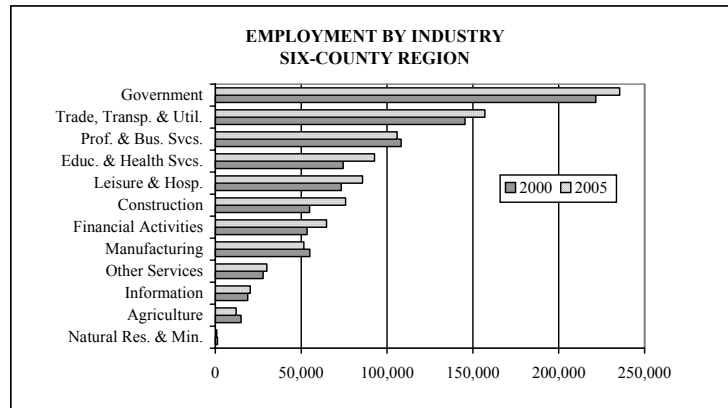
EMPLOYMENT GROWTH SIX-COUNTY REGION



Source: California Employment Development Department (EDD)

The local economy has transitioned from a government and agricultural center to a more diverse economy where the business services and trade sectors comprise nearly half of regional employment. Growing industries in the region include technology, clean energy, life sciences and healthcare. In 2005 Sacramento was one of the few places considered for a statewide stem cell research center. The region has become a western hub for data processing, customer call centers and other corporate back office support activities.

The following chart compares the region's employment by industry in 2000 and 2005. During this five-year period, the Construction sector experienced the largest percentage increase in jobs (+38%), followed by Educational & Health Services (+24%), Financial Activities (+21%) and Leisure & Hospitality (+17%). The only sectors to experience notable negative job growth in the past five years were Natural Resources & Mining (-33%) and Agriculture (-19%). Overall, the region is continuing to shift from a goods-producing economy to a service-providing economy.



Source: SACTO Sacramento Region 2006/2007 Economic Profile

Although government employment is becoming a smaller share of the total, this industry remains significant in the Sacramento region. In fact, government entities, including universities and school districts, account for about one-quarter of total employment in the region (down from 30% in 1990). The largest government employers are the State of California and Sacramento County. The decreasing share of total employment is not a result of a reduction in government jobs; in fact, employment in government grew by 6.3% between 2000 and 2005. The region's largest non-government employers are listed in the following table.

TOP 10 PRIVATE EMPLOYERS

Company	Industry	Year Est. in Area	No. of Employees
Kaiser Permanente	Healthcare	1965	7,734
Raley's Inc.	Retail grocery	1935	7,158
UC Davis Health System	Healthcare	1973	6,897
Mercy/Catholic Healthcare West	Healthcare	1896	6,845
Intel Corp.	Semiconductors	1984	6,800
Sutter Health Sacramento Sierra	Healthcare	1923	6,026
AT&T California (formerly SBC)	Telecommunications	1881	4,697
Hewlett-Packard Co.	Computer hardware	1979	4,000
Wal-Mart Stores Inc.	Retail	1991	3,503
Target Corp.	Retail	1962	3,435

Source: Sacramento Business Journal, Top 25 Book of Lists 2006

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

LABOR FORCE AND EMPLOYMENT TRENDS

Sacramento County	1990	1995	2000	Oct. 2005	Oct. 2006
Labor Force	533,600	538,900	602,900	685,100	686,100
Employment	509,700	502,100	577,400	652,100	657,900
Unemployment Rate	4.5%	6.8%	4.2%	4.8%	4.1%
El Dorado County					
Labor Force	65,200	72,700	77,300	91,700	92,400
Employment	62,400	67,700	74,100	87,600	89,000
Unemployment Rate	4.4%	6.9%	4.1%	4.4%	3.7%
Placer County					
Labor Force	91,500	102,900	125,600	159,900	165,400
Employment	87,700	96,500	121,600	153,300	159,900
Unemployment Rate	4.1%	6.2%	3.1%	4.1%	3.4%
Yolo County					
Labor Force	76,100	87,300	93,100	95,900	95,000
Employment	71,000	81,300	89,100	91,400	91,300
Unemployment Rate	6.7%	6.9%	4.3%	4.8%	3.9%
Yuba County					
Labor Force	22,900	21,200	21,200	26,600	26,500
Employment	20,500	18,000	18,700	24,400	24,600
Unemployment Rate	10.3%	15.0%	11.8%	8.5%	7.2%
Sutter County					
Labor Force	34,200	34,600	36,700	41,200	41,100
Employment	29,500	28,600	31,900	38,000	38,600
Unemployment Rate	13.7%	17.2%	13.1%	7.6%	6.1%
TOTAL REGION					
Labor Force	823,500	857,600	956,800	1,100,400	1,106,500
Employment	780,800	794,200	912,800	1,046,800	1,061,300
Unemployment Rate	5.2%	7.4%	4.6%	4.9%	4.1%

Source: California Employment Development Department

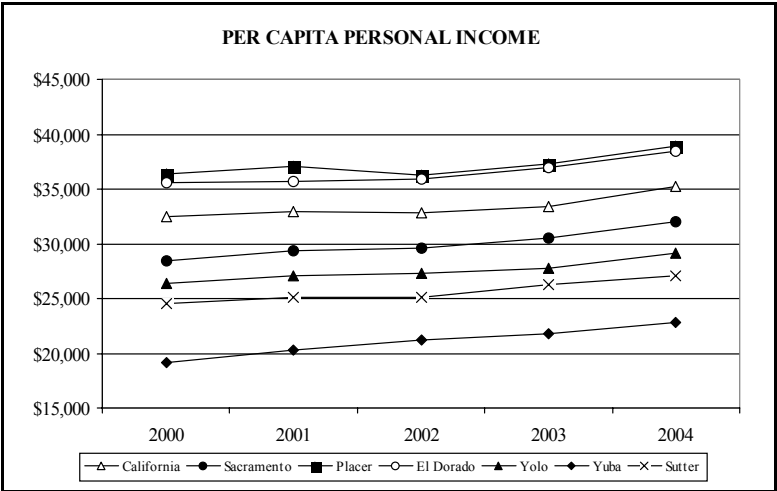
The unemployment rate in the Sacramento region was 4.1% as of October 2006, which marks a decrease from 4.9% in October 2005. This compares to 4.2% for the state of California and 4.1% for the nation. Most areas within the state and nation, including Sacramento, saw rising unemployment rates in 2001 and 2002, stabilization in 2003, and declines in 2004 through 2006. It is noted Sutter and Yuba Counties have relatively high unemployment rates, due in large part to a greater

dependence on agricultural employment. Overall, unemployment in the Sacramento region has been steadier than most other metropolitan areas in California. This is an indication of the stability of the regional economy.

For the past five years, job growth in the region has been within the range of about 1% to 2% per year. Most local experts and forecasting organizations expect employment growth in the Sacramento Area to be around 2% for the year 2007. The consulting firm Economy.com expects the region’s job growth to outpace the national average through 2009.

Personal Income

The following chart shows per capita personal income trends by county for the six counties within the Sacramento region, as well as the state of California.



Source: U.S. Department of Commerce, Bureau of Economic Analysis (BEA)

As indicated in the chart above, Placer and El Dorado Counties exhibit the highest personal income levels in the region. This is attributed in part to the large degree of high-tech employment in those areas, and a significant amount of in-migration of high-income households from the Bay Area. Personal incomes in these counties trail those in only four other counties in the state: Marin, San Mateo, Contra Costa and Santa Clara. Sutter and Yuba Counties have the lowest incomes in the Sacramento region, related to significant agricultural employment in these areas.

Education & Healthcare

The educational institutions in the region produce a well-educated community and stable work force. The Sacramento region offers a number of alternatives in terms of higher education. Two large universities, the University of California Davis and Sacramento State University, are located in the region and are recognized throughout the nation. Seven community colleges are located within the greater Sacramento region, including Sierra College, American River, Cosumnes River, Sacramento City, Woodland Community College and Yuba College. Several private colleges are located in the area, as well as satellite campuses of colleges headquartered elsewhere. The region also contains numerous vocational schools, such as Heald Business College, ITT Technical Institute and MTI College. At least two additional private universities are planning to open in the Sacramento area in the future.

The Sacramento region has become a hub for general and specialized healthcare in Northern California and the Central Valley. There are currently 28 major medical centers within the six-county region, operated by providers such as Kaiser Permanente, UC Davis Health System, Shriners, Mercy/Catholic Healthcare West and Sutter Health System. Several of the larger medical organizations are expanding their facilities or have plans to do so. Kaiser is constructing a new women and children’s health center in Roseville. Sutter is also completing a large expansion at its Roseville facility. The UC Davis Medical Center in Sacramento is building a \$40 million education building for medical students.

Transportation

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

The Sacramento region has over 800 miles of maintained state highways. The hub of freeways in the region makes the Sacramento Area a good center for freight distribution. U.S. Highway 50, Interstate 80, and the Capital City Freeway are the principal routes for commuters living in the densely populated eastern suburbs. Commuters from the north and south of Sacramento travel on Interstate 5 and State Highway 99. State Highways 65 and 70 link Yuba and Sutter Counties with the rest of the Sacramento Area. Interstate 5 provides a direct route to Redding, Oregon and Washington to the north and Los Angeles to the south. Interstate 80 permits travel to Nevada and Utah to the east and the San Francisco Bay Area to the west. Lake Tahoe and Nevada are reachable within a couple hours on U.S. Highway 50, which originates in Sacramento. State Highway 99 provides access to the San Joaquin and upper Sacramento Valleys.

Traffic congestion has intensified throughout the region in recent years along with population growth and the development of new suburban communities. Funding has been a challenge on both the State and Federal levels; however, several projects are proposed in the coming years. One major project completed in 2005 involved improving and reconfiguring the Douglas Boulevard/Sunrise Avenue interchange on Interstate 80 in Roseville. Another project in the planning pipeline is the 15-mile Placer Parkway, which would provide a new east-west route between State Highway 99/70 in Sutter County and State Highway 65 in Roseville. A bypass of State Highway 65 around the city of Lincoln is also planned.

The main public transit system in the Sacramento Area is operated by Sacramento Regional Transit (RT), with additional service provided by other local public and private transit operators. Regional Transit covers a 418-square mile service area that is serviced by 258 buses and 76 light rail vehicles, transporting over 27 million passengers annually. Light Rail began operation in 1987 along a two-pronged route linking Downtown Sacramento with populous suburbs to the east and north. In 2003 and 2004, RT completed extensions to the Meadowview area in South Sacramento and Sunrise Boulevard in Rancho Cordova to the east. In 2005, an eastward extension to the city of Folsom was completed. This route added seven new light rail stations and four park-and-ride lots, providing a viable transportation alternative for commuters on the Highway 50 corridor. During the next 20 years, RT plans to extend toward Elk Grove to the south, Natomas and the Sacramento International Airport to the north, Roseville to the east and Davis to the west.

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

Water transport is also available in the region. The Port of Sacramento is a deep-water port located 79 miles northeast of San Francisco in the city of West Sacramento, serving ocean-going vessels handling a variety of cargo types. The 30-foot depth of the channel, along with extensive rail and truck cargo handling facilities, make the Port highly productive for long distance shipping. The Port is equipped for handling bulk cargo and a number of agricultural and forest products. The Port has experienced shrinking revenue and net losses for several years, and is using cash reserves and real estate sales to cover the losses. A new operator for the port is expected in the near term.

Finally, the region benefits from several air transport facilities. Most notably, Sacramento International Airport is served by 14 carriers – Alaska, Aloha, America West, American, Continental, Delta, Frontier, Hawaiian, Horizon, JetBlue, Mexicana, Northwest, Southwest and United/United Express. In 2004, Sacramento International opened a multi-story, 5,300-stall parking garage. Over 10 million passengers traveled through Sacramento International Airport during 2005. Besides the International Airport, the region is also served by several smaller facilities, including Sacramento Executive Airport, Lincoln Regional Airport, Yuba County Airport, Sutter County Airport, and Mather Airport (formerly Mather Air Force Base). In addition to passengers, Sacramento International and Mather Airport processed over 260 million pounds of airfreight in 2005.

Environment

As development in the region expands, various environmental issues exist, including water supply, air quality, flood control, endangered habitat/species, and open space preservation. Numerous environmental organizations are constantly addressing these issues as they pertain to the Sacramento region, and land developers face increasing time and costs due to environmental constraints.

The Sacramento Area benefits from abundant water resources. Purveyors draw surface water from the American, Sacramento and Feather Rivers, and pump groundwater from underground sources in the Sacramento Valley. The Sierra Nevada snowfields, about 70 miles east of Sacramento, normally provide a plentiful water supply during the dry summer months. According to the California Department of Water Resource's California Water Plan, approximately 30% of the Sacramento River Region is irrigated with groundwater. Nevertheless, water supply and quality issues continue to be environmental concerns in the area. The significant rate of growth that has occurred over the last decade has notably increased the demand for water, and the delivery of water to southern portions of the state continues to be a hot political and environmental issue. The future impact on all users depends on the natural replenishment of the water sources by geological factors, as no new dams are anticipated in the near future.

Air quality continues to be a concern in the Sacramento Valley. The region is designated a severe ozone "non-attainment area" by the U.S. Environmental Protection Agency (EPA). This non-attainment area includes all of Sacramento County and parts of El Dorado, Placer, Solano, Sutter and Yolo Counties. During the summer, the region fails to meet both the State and Federal health standards for ozone on a number of days. Because the Sacramento Valley is shaped like a bowl, smog presents a critical problem in the summer, when an inversion layer traps pollutants close to the ground, causing unhealthy air quality levels. However, in the past decade, air quality has improved in the Sacramento region. Factors contributing to the improvement include cleaner cars, smog check requirements, vapor recovery nozzles on gas dispensers, reformed gas, statewide regulation on the

amount of solvents in consumer products, and Federal regulations on solvents contained in painting products. In addition, policymakers have taken steps to improve and expand public transportation systems in the region.

Another environmental concern in the area is flooding, in light of Sacramento's location along two major rivers with several creeks and tributaries. Major floods occurred in multiple areas in 1986 and 1997. Most flood-prone areas are concentrated in western Sacramento County and eastern Yolo County, where the American and Sacramento Rivers converge. The Sacramento Area Flood Control Agency (SAFCA) was established in 1989 to coordinate a regional effort to finance, implement and maintain facilities necessary to provide flood protection. Many proposed improvements were approved and funded by the SAFCA Assessment District, established in June 1996. A large portion of these improvements was completed in 1998, which resulted in a new flood designation outside the 100-year flood zone for most areas in northern Sacramento County. As a result of significant improvements to river and creek levees, in early 2005 the Federal Emergency Management Agency (FEMA) revised flood maps to designate the American River floodplain outside the 100-year flood zone. This area includes most of eastern and central Sacramento County. As a result, property owners in these areas are no longer required to maintain flood insurance. In 2006, another new map declared neighborhoods in the southern portion of the county out of the 100-year floodplain as well.

Despite the above improvements, the region continues to face flood concerns. In early January 2007, FEMA announced it will revise its flood-risk maps to show Natomas (northern Sacramento County) as a Special Flood Hazard Area. The action came in response to a ruling last year by the U.S. Army Corps of Engineers, which found that Natomas levees no longer meet a minimal 100-year flood protection standard. Starting in November 2007, flood insurance will be required for properties in Natomas with federally backed mortgages or home-equity loans. SAFCA is working on a \$414 million plan to improve Natomas levees. The plan hinges on a new Assessment District that will be presented to voters in March. If the plan is approved, 100-year protection could be restored to Natomas by 2010.

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

With rapid increases in development in the past few years, there has been growing concern regarding the protection of endangered habitats and species and the conservation of open space. Most development projects in the region, particularly in Placer and Yolo Counties, face opposition from various special interest groups. With regard to endangered habitats and species, development in the region is subject to Federal and State laws concerning this issue. The region contains an extensive

list of endangered species and a significant amount of environmentally sensitive land, including vernal pools, wetlands, woodlands and grasslands. In 2002, the U.S. Fish and Wildlife Service proposed designating 154,000 acres in Sacramento and Placer counties as critical habitat for endangered species living in vernal pools. However, in August 2005, the Bush administration issued a revised rule exempting large portions of both counties where developers intend to build. As a result, only 37,098 acres in Sacramento County were designated as critical habitat. Most of this acreage is in the county's rural, southeastern corner, which is not currently planned for development. Placer County, meanwhile, was largely removed from the critical habitat category, with only 2,580 acres affected.

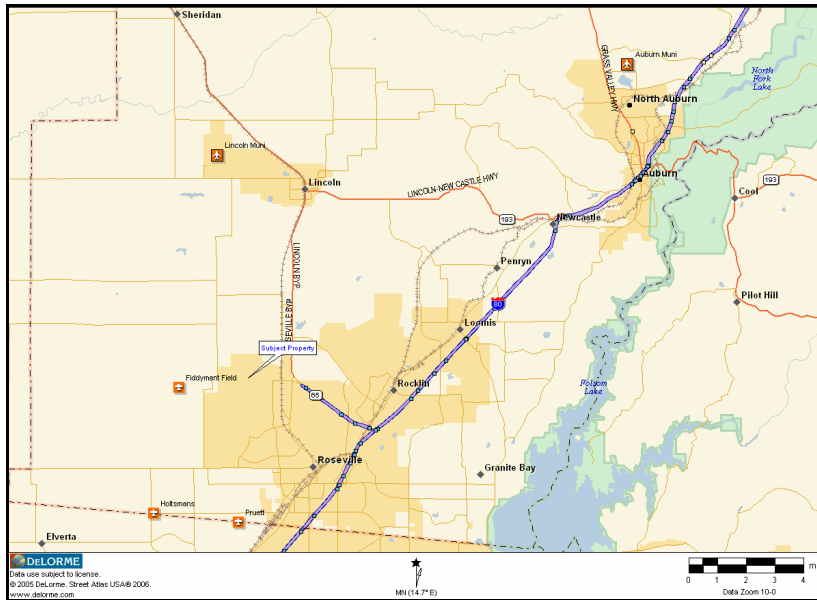
Summary

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

In 2002 and 2003, the Sacramento Area, along with most of the state and nation, experienced some slowing in the economy. The weakening economy was attributed to several factors, including the energy crisis of 2000, the rapid slowdown in the technology sector, the events of September 11, 2001, national and international recessions, and the State budget crisis. During 2004 through 2006, the local economy showed signs of improvement, with large gains in the housing market and moderate job growth. In 2007, job growth is expected to be about 2%, which is toward the high end of the 1%-2% range of annual growth experienced in recent years.

The long-term outlook for the region is very good. Characterized by a diverse economy, mild climate, seismic stability, good water supply, ample recreational and cultural opportunities and expansive transportation systems, Sacramento has secured a locational advantage over similar sized markets. Further, the region remains relatively affordable compared to the Bay Area and Southern California. The combination of these resources and advantages provides a productive environment for current and prospective businesses, and a satisfying living environment for residents. These factors will continue to drive the demand for residential and commercial real estate for the foreseeable future.

SOUTH PLACER COUNTY OVERVIEW



Introduction

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

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

History

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

Geography & Climate

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

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

The climate of South Placer is warm and dry in the summer months, with an average daytime high temperature of 95 degrees (Fahrenheit), and a cool 58 degrees at night. During South Placer's winters, average daytime temperatures range from 37 to 53 degrees. Due to the snowfall in the Sierra Nevada Mountains, South Placer generally has adequate water during the summer. During the rainy season, November through April, an accumulation of approximately 18 inches of rain is the norm. Besides South Placer's relatively mild climate, it is also known for its stable seismic conditions. Unlike the Bay Area and Los Angeles, South Placer and its component cities rank among the lowest in the state for the probability of a major earthquake.

Population

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

Following is a table depicting the population change in Placer County and its component cities over the past few years.

POPULATION TRENDS – PLACER COUNTY

County	2001	2002	2003	2004	2005	2006	Annual Rate of Growth
Auburn	12,546	12,587	12,605	12,845	12,972	12,975	0.7%
Colfax	1,574	1,712	1,789	1,809	1,840	1,825	3.0%
Lincoln	13,610	16,826	19,969	23,447	27,408	33,589	19.8%
Loomis	6,302	6,304	6,351	6,332	6,335	6,480	0.6%
Rocklin	39,520	43,130	46,069	49,751	50,989	50,920	5.2%
Roseville	83,131	87,630	93,502	98,558	103,185	104,655	4.7%
Unincorporated	101,880	102,920	103,657	104,291	105,702	106,064	0.8%
Total	258,563	271,109	283,942	297,033	308,431	316,508	4.1%

Source: California Department of Finance

As indicated in the previous table, Placer County has experienced a strong average rate of annual growth of 4.1% since 2001. The city of Lincoln, with an average annual growth rate of 19.8%, is by far the fastest growing part of the region, followed by Rocklin and Roseville. Auburn, Loomis, and the unincorporated communities have had relatively stable populations. Over the past decade, Placer County has been the fastest-growing county within the six-county Sacramento Region (which also includes Sacramento, El Dorado, Yolo, Yuba and Sutter Counties). It is projected this trend will continue for the near future, with the cities of Lincoln, Rocklin and Roseville leading the way.

Employment

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

TOP 10 EMPLOYERS – SOUTH PLACER COUNTY

Employer	No. of Employees	Type of Business	Main Location
Hewlett-Packard Co.	4,000	Computer hardware	Roseville
Placer County	2,527	Government	Auburn
Kaiser Permanente	1,980	Healthcare	Roseville
City of Roseville	1,288	Government	Roseville
Raley’s Inc.	1,251	Retail grocery	Various
Union Pacific Railroad Co. Inc.	1,100	Freight railroad	Roseville
Wal-Mart Stores Inc.	1,053	Retail merchandise	Various
PRIDE Industries Inc.	1,050	Business services	Roseville
Sutter Health	985	Healthcare	Roseville
Roseville Joint Union High School Dist.	897	Public education	Roseville

Source: Sacramento Business Journal, Top 25 Book of Lists 2006

Transportation

A significant advantage of the South Placer area is its central location with respect to transportation systems. Interstate 80, State Highway 65 and State Highway 193 are the major routes traversing the region. Major urban arterials include Douglas Boulevard, Sierra College Boulevard, Roseville Parkway, Pleasant Grove Boulevard, Sunrise Avenue, Auburn-Folsom Road and Foothills Boulevard. In 2005, a major public improvement project was completed at the Douglas Boulevard/Sunrise Avenue/Interstate 80 intersection. The project added new lanes, new on/off ramps and a tunnel that are expected to greatly improve traffic flow in the area.

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

Recent growth in South Placer has fueled demand for a new transportation artery in the region. Plans are in the works for a four to six-lane expressway, referred to as Placer Parkway, which would extend from Highway 99 in the west to Highway 65 in the east, north of Roseville and south of Lincoln. This roadway is years away from being built, but is expected to eventually ease congestion on Interstate 80.

Education

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

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

Healthcare

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

In response to booming population growth in recent years, many new health care facilities are in the planning stages in the South Placer County area. Kaiser is currently working on a 750,000-square foot expansion at its Roseville site that will house a new women and children's center, expanded emergency department, parking garages and other medical buildings. Further, Kaiser has proposed a cancer center near the Galleria Mall in Roseville. Sutter plans to more than double the size of its Roseville hospital by 2010. UC Davis, Kaiser, Sutter and Catholic Healthcare West are all planning or considering medical facilities in Lincoln.

Recreation & Culture

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

Because of the county's historical heritage, most of the cities in South Placer have museums, where historical remnants can be viewed. Auburn and Roseville both have preserved historic buildings in their Old Town districts. There are a number of events and festivals, such as the Eggplant Festival in Loomis, the Mandarin Festival in Newcastle and the Clayfest in Lincoln, which occur annually in the county. In addition, arts and theater performances are prominent throughout the cities. Events such as the Auburn Art Walk, or Music in the Park, an outdoor music event held throughout the summer, are common recreational activities.

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

The city of Roseville is the South Placer region's hub for fine dining and entertainment. Roseville contains two multi-plex movie theatres on Eureka Road, and a third is proposed at Blue Oaks Boulevard and Highway 65. Several upscale restaurants are situated along Eureka Road, Roseville Parkway and Galleria Boulevard, including Fat's Asia Bistro, PF Changs, Il Fornaio, Tahoe Joe's and Carvers Steak House. For shopping enthusiasts, shopping centers are widespread, the largest of which is the Galleria at Roseville, a 1.1 million square foot regional shopping mall that opened in 2000. In 2006, the Blue Oaks Town Center opened in Rocklin, anchored by RC Willey, Sportsman's Warehouse, Stein Mart and Mervyns.

Focus: City of Roseville

With a population of nearly 105,000, Roseville represents the largest city in South Placer. This city has seen average annual population growth of 4.7% over the past five years, and has experienced tremendous growth in all segments of real estate. Roseville is one of the “hot spots” for new development in the greater Sacramento region, and also within the entire state. Within the last decade, new residential subdivisions have been developed in the communities of Woodcreek Oaks, Diamond Creek, Del Webb Sun City, Highland Reserve and Crocker Ranch in west Roseville; and Stoneridge in east Roseville.

The city of Roseville is increasingly becoming a hub for office development in the region. Most new office development is concentrated along the Douglas Boulevard/Eureka Road and Highway 65 corridors. The Stone Point Corporate Center will add 400,000 square feet of office space in six buildings at Eureka Road and Rocky Ridge Drive; three of these buildings will become Roseville’s tallest office buildings with five stories. Just west of the Galleria Mall, Shea Properties is constructing 11 office buildings along Highway 65; the Shea Center will contain 575,000 square feet of office space at completion. Tenants in the Shea Center include Old Republic Title Company, Shea Homes and the University of Phoenix. Mourier Land Investment Corp. is constructing four office buildings in Highland Pointe at Highway 65 Pleasant Grove Boulevard. When completed in 2008 or 2009, the complex will add 368,000 square feet to the area’s office inventory, and three of the buildings will be four stories in height.

In terms of retail development, the owner of the 1.1 million square foot Galleria Mall plans to build additional stores, restaurants and parking. Across Galleria Boulevard from the mall, the Creekside Town Center has added thousands of square feet in retail space, including several big-box and in-line stores as well as restaurants. Also across from the mall, The Fountains is a proposed “lifestyle center” on 52 acres. This center will include 350,000 square feet of retail space, and already has commitments from Whole Foods Market, Z Gallerie and Anthropologie.

Another area of significant new retail development is the Fairway Drive area, just east of State Highway 65 between Stanford Ranch Road and Blue Oaks Boulevard. This corridor has been developed over the last couple years with big-box stores such as Lowe’s, Home Depot, Kohl’s, Sport Chalet, WinCo Foods, Target Greatland, Costco, Staples, Toys R Us, Cost Plus, Ross and Linens ‘n Things. At the southeast corner of Pleasant Grove Boulevard and Fairway Drive, construction is under way on the 140,000 square foot Highland Plaza, which will be anchored by Nugget Market.

In August 2004, the city of Roseville annexed 3,162 acres west of the city limits, creating room for another 8,430 homes and apartment units, as well as industrial projects and vast areas of open space. Site work on this project, referred to as the West Roseville Specific Plan Area, commenced in mid-

2005, and the first homes came on the market in 2006. Development will continue over the next several years. The area is expected to add thousands of new homes that will accommodate about 21,000 residents. About 35% of the specific plan area will be open space and parks. One of the most prominent planned projects for the area is a 600-acre development to house a private university near Baseline Road. The City also plans to annex 2,365 acres further to the west and north of the West Roseville Specific Plan Area. The annexation was approved by the City Council in June 2005.

Also in west Roseville, in early 2005 Hewlett-Packard sold 276 acres of land along Blue Oaks Boulevard between Foothills and Woodcreek Oaks Boulevards to JMC Homes. JMC plans to build a high-density project with 1,700 to 1,900 homes, including attached, detached, rental and for-sale products.

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

Construction began in 2006 on an Embassy Suites hotel and convention center in a public/private partnership between the City of Roseville and Kobra Properties. The project is located just north of the Galleria Mall along Highway 65. The conference center would be the second largest in the region, after the Sacramento Convention Center. However, construction has stalled, likely due to high materials costs, and a completion timeline is unknown.

Focus: City of Rocklin

Like the neighboring city of Roseville, Rocklin has seen tremendous residential and commercial growth during the past decade. The city’s population has grown by an average of 5.2% over the past five years, and is now over 50,000 people. Stanford Ranch was one of the city’s first and largest master-planned communities, and contains much of the city’s residential development. Stanford Ranch is also home to Twin Oaks Park, Rocklin High School and several neighborhood retail centers. At the intersection of Park Drive and Stanford Ranch Road are two neighborhood shopping centers. One is Stanford Ranch Plaza, anchored by an Albertson’s grocery store, and the other is The Shops at Stanford Ranch, anchored by Longs Drugs. Rock Creek Plaza, a Safeway anchored center, and a California Family Fitness anchored center, were completed in 2002-2003 at the intersection of Park Drive and Sunset Boulevard.

Since 2005, construction has been under way on the Blue Oaks Town Center along Highway 65 to the north of Blue Oaks Boulevard, with the first stores opening in late 2006. This 600,000 square foot center is anchored by R.C. Willey, a home furnishings and electronics store, Sportsman's Warehouse, Stein Mart, Mervyn's, Dress Barn and Lucille's Smokehouse Barbecue. A Staybridge Suites hotel is planned adjacent to the shopping center.

Another area seeing new development in Rocklin is the Granite Drive corridor, adjacent to Interstate 80. Granite Creek Business Park contains over 200,000 square feet of new office/tech buildings. A retail strip center was completed in 2004 at the northeast corner of Granite Drive and Sierra Meadows Drive. At the northwest corner of Granite Drive and Rocklin Road, a two-story office/medical/retail building was erected in 2004-2005. Also constructed recently were dealerships for Porsche, Kia and Harley Davidson vehicles. Rocklin Crossings, a 534,500 square foot center, is proposed by Donahue Schriber on 59 acres bounded by Interstate 80, Sierra College Boulevard and Granite Drive. Just north of this development, another retail center is planned that would include 361,200 square feet.

One of Rocklin's main industrial/business park areas is the Atherton Center, located near Highway 65 and Sunset Boulevard. The Rocklin Corporate Center is being developed on 125 acres adjacent to the Atherton Center.

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

Other Growth Areas

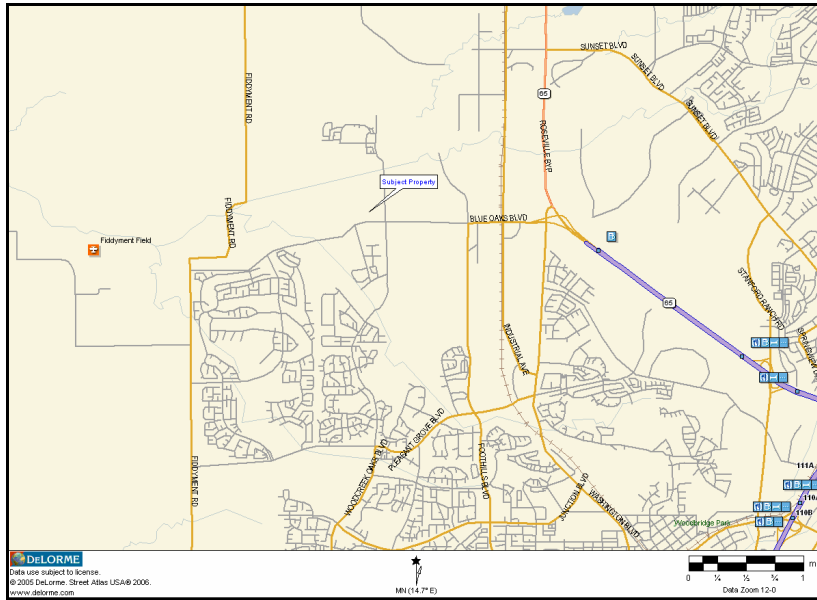
In the southwestern corner of Placer County is the Placer Vineyards Specific Plan Area. This area is bounded by the Sutter County Line on the west, Baseline Road on north, the Sacramento County Line on the south, and Walerga Road on the east. This area encompasses 5,158 acres of land area that will be developed with a mix of residential, commercial and community uses, as well as open space. More than 14,000 homes are proposed for the area, with construction estimated to begin in 2009. The project also includes plans for a 100-acre town center with public services and retail facilities, plus an additional 88 acres for retail development and 257 acres for office and industrial development.

The Bickford Ranch project, situated between Penryn and Lincoln, is finally moving ahead after several years of litigation with environmental groups. The project is expected to add nearly 5,000 residents and will include 1,890 homes, a private golf course, public parks, a commercial center and 720 acres of open space. SunCal plans to develop 648 single-family homes, 66 townhouses, a 106-unit site for affordable housing, 150 custom home sites and a community center. Lennar's U.S. Homes will develop a 920-lot community for active seniors that includes an 18-hole golf course.

Summary

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

NEIGHBORHOOD OVERVIEW



The subject property is located in the southwest portion of Placer County, in the city of Roseville, approximately 15 miles northeast of the Central Business District of Sacramento. The subject's neighborhood is generally bound by the Roseville city limits to the north, Baseline Road to the south, State Highway 65 and Interstate 80 to the east, and Watt Avenue to the west.

Demographics

The subject neighborhood includes extensive single-family residential development, with some multifamily projects and limited supporting commercial development. The population in the 95747 zip code is approximately 25,316 persons. The population of the entire City of Roseville is about 85,000 persons. The median age of neighborhood residents is about 33 years. Approximately half of the neighborhood's households are comprised of married couples, and two-thirds of the households contain children. Roseville has one of the highest median household incomes in the Sacramento Metropolitan area. In the past, the proximity of Roseville to Sacramento and convenient highway transportation routes made this area a popular bedroom community. However, recent expansion by electronic and other manufacturing firms along State Highway 65 has created a more localized economic base for the Roseville community.

Transportation

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

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

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

Introduction

This section of the report provides an analysis of the observable data that indicate patterns of growth, structure and/or change that may enhance or detract from property values. For the purpose of this analysis, a neighborhood is defined as "a group of complementary land uses; a congruous grouping of inhabitants, buildings, or business enterprises."⁵

Neighborhood Boundaries

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

⁵ The Dictionary of Real Estate Appraisal, 4th ed. (Chicago: Appraisal Institute, 2002), 160.

Land Uses

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

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

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

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

Community Uses

The subject neighborhood is served by several community uses typical of a suburban residential area, including schools, parks, churches, libraries, hospitals and open space. Neighborhood parks include Weber, Wanish, Silverado Oaks and Buljan Parks. Mahany Park, a regional park at the

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

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

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

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

Westpark Master Planned Community

Owned by PL Roseville, LLC, the Westpark master planned community will include the development of the following components: 3,566 single-family residential lots (including 704 age-restricted and 85 affordable housing units), a multifamily residential component encompassing 694 developable units (including 341 affordable housing units), three commercial sites containing a combined 18.4 acres, a business professional site measuring 10.5 acres, three industrial sites totaling 108.5 acres., three schools (elementary, middle and high school), a church and numerous neighborhood parks, as well as open space. The centerpiece of the Westpark master planned community is the Village Center, which is planned to accommodate a broad mix and configuration of uses that form the commercial, service, social and activity focus for the West Roseville Specific Plan. There are various land uses incorporated into the Village Center area, including medium and high-density residential, community commercial, parks and recreation and public/quasi-public uses.

Fiddymment Ranch

The Fiddymment Ranch community is master-developed by Signature Properties. The development encompasses 1,678± acres of land and, at completion, will include 3,149 single-family residences, 1,005 multifamily units, 30.1 acres of retail development, an office site containing 9.1 acres of land area, two schools, a fire station and several parks and open space areas. The project will be developed in three phases. Several of the villages within Phases I and II have sold to various merchant builders, including Shea Homes, KB Homes, Meritage Homes, Christopherson Homes and Lennar Communities. Two regional parks are located within the Fiddymment Ranch development and are identified as Fiddymment Park and Regional Sports Park. Fiddymment Park (Parcel F-54) encompasses 91± acres of land area located west of Fiddymment Road and south of Blue Oaks Boulevard. As proposed, this park will include bike and pedestrian paths, activity greens, a frisbee (disc) golf course, and a multi-purpose center. The Regional Sports Park (Parcels F-55 and F-56) is a proposed 75.6 acre city-wide park that is proposed as a regional facility for tournaments and local league events. Proposed improvements include lighted soccer fields, swimming pool, tennis courts, softball diamonds, picnic areas, and pathways.

Conclusion

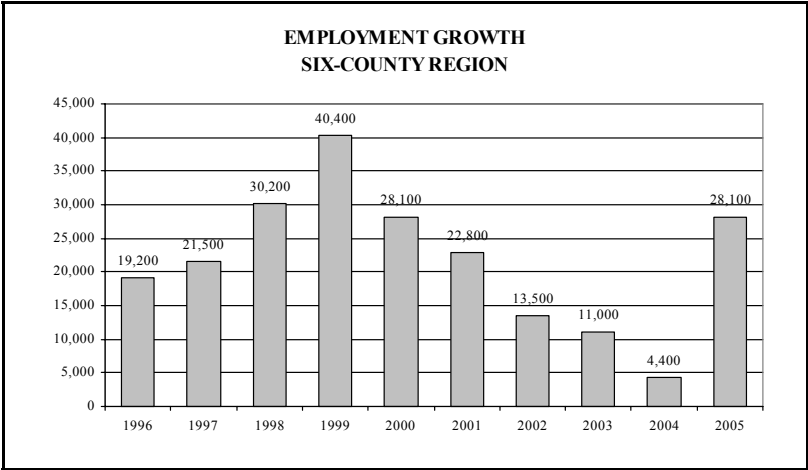
In conclusion, the subject is located in a growing suburban area that should continue to experience good demand for all types of properties. Most commercial properties are operating at stabilized occupancy and are receiving economically viable rents. Additionally, there is continued demand for residential product, especially for entry-level to median-income homebuyers. The subject property seems poised to benefit from the demand of homebuyers seeking an attractive community located proximate to local services.

SACRAMENTO METROPOLITAN AREA HOUSING MARKET OVERVIEW

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

Employment & Economy

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



Source: California Employment Development Department

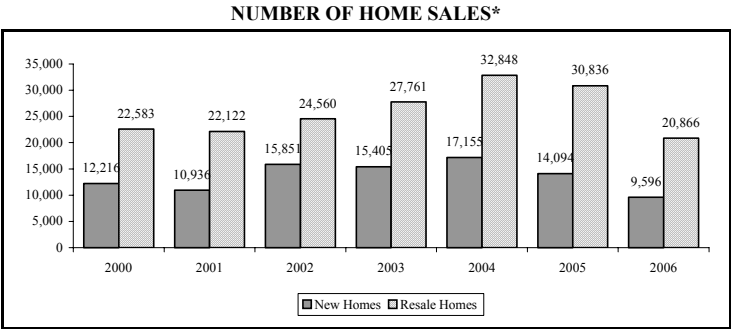
Since peaking in 1999, job growth in the region gradually decreased each year through 2004, then showed marked improvement in 2005.

Based on information reported by the California Employment Development Department (EDD), the total number of non-farm jobs in the Sacramento Region increased by 19,500 jobs, or by 2.1%, in the year ending August 2006. The largest increases were seen in Leisure & Hospitality (5,200 jobs), Professional & Business Services (5,000 jobs), Government (3,900 jobs), Trade, Transportation & Utilities (2,900 jobs), and Education & Health Services (1,700 jobs). The only sectors to see job declines were Information and Financial Activities. The unemployment rate in the Sacramento MSA averaged 4.4% in 2005, which was down from 5.1% in 2004. In September 2006, the unemployment rate was 4.2%, compared to 4.6% for California and 4.4% for the nation.

For the year 2007, most experts predict moderate job growth in the range of about 2% for the Sacramento Region. Beyond that, the long-term outlook for employment in the region is good. According to EDD, employment in the Sacramento region is projected to grow 8.6% between 2005 and 2010 (about 1.7% per year on average), and 10.3% between 2010 and 2015 (about 2.1% per year). In terms of employment industries, the largest gains are expected to occur in Services, Trade and Government.

Historical Trends

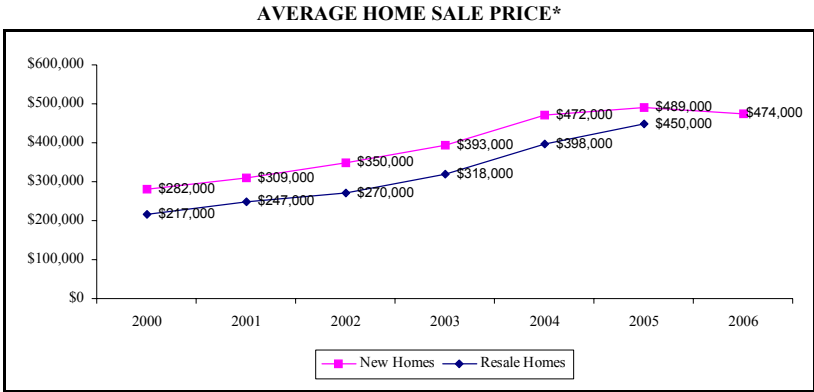
The following chart exhibits new and resale home sales in the Sacramento Region.



*Six-county region for new homes; four-county region for resale
Source: The Gregory Group (new); Lyon Real Estate (resale)

The chart indicates sales of new and resale homes declined in 2005 and 2006. However, the sales figures for 2005 and 2006 remain healthy compared to historical figures. In 2007, sales are expected to be similar to levels seen in 2006.

The following chart exhibits average new and resale home prices in the Sacramento Region.

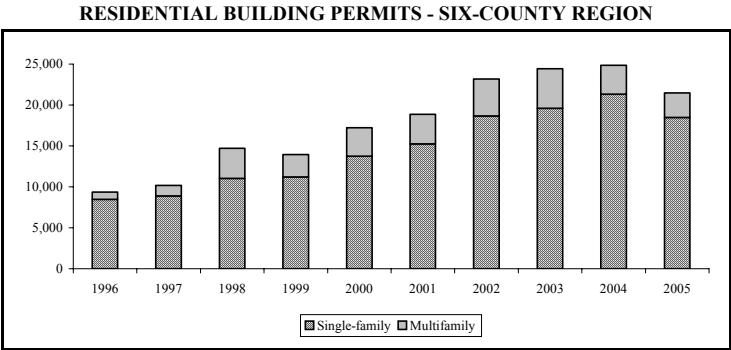


*Six-county region for new homes; four-county region for resale
Source: The Gregory Group (new); Lyon Real Estate (resale)

As shown above, prices for both new and resale homes climbed steadily through 2005, then began to fall in 2006. Prices are expected to be flat or down for most types of product in 2007 compared to 2006, which reflects the moderation that is occurring as the market returns to a level of normal activity after a frenzied pace between 2000 and 2005.

Housing Permits

An operative measure of the condition of the region’s housing market is the number of housing permits issued over time. New residential permit activity has steadily increased in the Sacramento Region since 1996. The following table reflects new permit activity for the Sacramento Region.



Source: The Gregory Group

A total of 3,982 building permits were issued during Third Quarter 2006 in the Sacramento Region, which represents a 32.5% decrease from a year ago, when 5,898 permits were issued. Of the 3,982 total permits, 2,566 were single-family and 1,416 were multifamily. Compared to a year ago, the single-family segment showed a decrease of 49.8%, and the number of multifamily permits increased by 79.5%.

E/P Ratio Trends

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

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

E/P RATIO - SIX-COUNTY REGION					
Year	Employment Gains (Non-farm)	Total Permits	E/P Ratio	Single-family Permits	E/P Ratio
1996	19,200	9,351	2.05	8,470	2.27
1997	21,500	10,168	2.11	8,898	2.42
1998	30,200	14,694	2.06	11,035	2.74
1999	40,400	13,941	2.90	11,212	3.60
2000	28,100	17,225	1.63	13,744	2.04
2001	22,800	18,871	1.21	15,256	1.49
2002	13,500	23,177	0.58	18,665	0.72
2003	11,000	24,429	0.45	19,606	0.56
2004	4,400	24,840	0.18	21,339	0.21
2005	28,100	21,477	1.31	18,479	1.52

Source: The Gregory Group

The table above illustrates that job growth was particularly strong relative to building permits between in the late 1990s through 2001. This led to significant pent-up demand that played a part in the rapid price appreciation seen in the market between 2000 and 2005. The E/P ratio declined steadily between 2001 and 2004 as construction permit activity increased and job growth slowed. Job growth was very strong in the years 2005 and 2006, and is projected to be strong for the year 2007 as well, which should help maintain demand for new housing.

Population Trends

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

The following table illustrates the total population of the Sacramento Region from 2001 through 2006, with corresponding growth for the periods noted.

POPULATION TRENDS							
County	2001	2002	2003	2004	2005	2006	Annual Rate of Growth
Sacramento	1,252,509	1,287,246	1,317,806	1,344,867	1,366,937	1,385,607	2.0%
Placer	258,563	271,109	283,942	297,033	308,431	316,508	4.1%
El Dorado	160,486	164,066	167,238	170,205	173,511	176,204	1.9%
Yolo	172,677	177,575	181,337	184,673	187,575	190,344	2.0%
Yuba	61,060	62,382	63,749	65,237	67,394	69,827	2.7%
Sutter	80,208	81,912	84,177	86,694	89,170	91,450	2.7%
Total	1,985,503	2,044,290	2,098,249	2,148,709	2,193,018	2,229,940	2.3%

Source: California Department of Finance

New Home Sales

New home sales activity for the six counties over the past three years is detailed in the following table.

NEW HOME SALES					
County	2004	2005	% Change	2006	% Change
Sacramento	9,385	7,718	-18.0%	4,723	-38.8%
El Dorado	1,055	580	-45.0%	356	-38.6%
Placer	3,309	2,609	-21.2%	2,600	-0.3%
Yolo	1,391	1,136	-18.3%	915	-19.5%
Yuba	1,391	1,249	-10.2%	550	-56.0%
Sutter	624	802	+28.5%	445	-44.5%
6-County Region	17,155	14,094	-17.8%	9,596	-31.9%

Source: The Gregory Group

The table above indicates the number of new home sales fell sharply in 2005 in almost all areas of the Sacramento Region. The only county to see an increase in sales volume in 2005 was Sutter County. El Dorado County experienced the sharpest decline, with a 45% reduction in new home sales. For the year 2006, all six counties had fewer new home sales compared to 2005. The declines were steep in all counties except Placer, which had only a slight decline of less than 1%. While new homes sales were down for the year 2006 overall, the fourth quarter showed some very promising results. A total of 2,445 new homes were sold during Fourth Quarter 2006 in the six-county Sacramento Region. This represents a 57.8% increase compared to a year ago, and a 25.0% increase from last quarter. While sales levels were stronger than expected, prices continued to decline. The average new home price in Fourth Quarter 2006 was \$474,482, down 3.0% from a year ago and down 2.0% from Third Quarter 2006. The region’s average home price reached a peak in Second Quarter 2006 and has declined in each subsequent quarter.

The following table compares average new homes prices for the current quarter compared to a year ago and last quarter.

AVERAGE NEW HOME PRICE			
County	4 th Qtr. 2006	% Change Last Qtr.	% Change Last Year
Sacramento	\$436,780	-1.7%	-6.0%
El Dorado	\$814,061	+5.8%	+18.9%
Placer	\$538,805	+0.1%	-2.9%
Yolo	\$483,217	2.3%	-11.3%
Yuba	\$365,547	-1.9%	-4.1%
Sutter	\$337,414	1.1%	-2.5%
6-County Region	\$474,482	-2.0%	-3.0%

Source: The Gregory Group

The table above indicates new home sale prices were slightly down in most areas of the region compared to a year ago. The sharpest decline was seen in Yolo County, with a decline of 11.3%. El Dorado County was the only county to see an increase in average price from last year, with a strong gain of 18.9%. In most submarkets, prices are expected to continue to moderate during the first half of 2007 and possibly into the latter half of the year and early 2008. Most market participants expect the average regional price correction to be in the 10-15% range from the peak in 2005/2006, with improvement projected to begin in 2008 or 2009.

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

NEW HOME TRENDS - SIX-COUNTY REGION							
Category	2 nd Qtr. 2005	3 rd Qtr. 2005	4 th Qtr. 2005	1 st Qtr. 2006	2 nd Qtr. 2006	3 rd Qtr. 2006	4 th Qtr. 2006
Avg. Price	\$492,498	\$492,985	\$489,329	\$496,305	\$498,027	\$484,019	\$474,482
Median Price	\$459,990	\$457,950	\$456,619	\$465,726	\$459,990	\$440,240	\$434,990
Avg. Home Size	2,427	2,360	2,343	2,404	2,347	2,310	2,306
Avg. Price/SF	\$208.67	\$215.72	\$215.97	\$213.02	\$221.76	\$217.95	\$215.21
Number of Sales	4,143	3,590	1,549	2,063	3,124	1,956	2,445
Sales per Week	1.26	1.08	0.45	0.59	0.72	0.43	0.56
Unsold Inventory	1,687	2,404	3,299	3,780	4,222	4,598	3,925
Weeks of Inventory	4	6	10	12	13	16	14

Source: The Gregory Group

The table on the previous page shows rapid increases in unsold inventory from the second half of 2005 through the year 2006. Unsold inventory fell in Fourth Quarter 2006; however, most homebuilders are continuing to offer significant incentives to prospective buyers. These incentives include items such as cash contributions toward down payments and closing costs, payoff of Mello-Roos taxes, swimming pools, home upgrades, cars and vacations. Many builders are offering incentives to avoid lowering their base home prices, although many have lowered their prices as well.

Developer Market Share

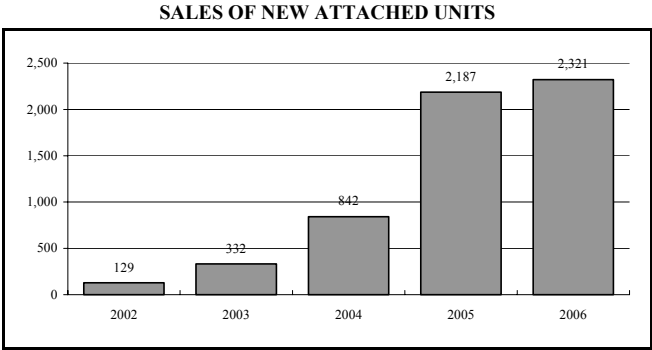
Based on year 2006 home sales, the five most active homebuilders in the Sacramento region were D.R. Horton Inc. (1,162 sales in 2006), Lennar Communities (1,103), KB Homes (802), Centex Homes (745) and Pacific West (395). The top five builders combined for about 44% of the local market share in 2006.

The Sacramento region, along with much of the rest of the country, is experiencing a trend in which fewer builders are capturing more and more of the market. As the market consolidates into fewer hands, the larger companies can command lower costs from suppliers and can afford to pay more for land. They can also more easily bear legal costs associated with securing entitlements or fighting opposition to development. According to a November 2005 article in The Wall Street Journal, five years ago the top five homebuilders controlled about 10% of the U.S. market; that share rose to about 25% in 2005 and is expected to top 50% within a decade.

Attached Housing Market

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

Developers have quickly responded to this trend, constructing new condos and high-density housing, or converting apartments to condominiums. In 2002, only two attached projects were selling product in the region, with a total of 129 sales for the year. Since then, several condominium projects have been constructed or converted from apartments. The table on the following page shows the number of attached unit sales since 2002.



Source: The Gregory Group

According to data from The Gregory Group, shown above, sales of attached homes have increased dramatically in the past few years. As a percent of total home sales, attached product continues to capture more of the market. Representing less than 1% of all new home sales in 2002, attached units accounted for about 15% of the total in 2005 and 24% in 2006. As of Fourth Quarter 2006, there were over 50 active developments offering attached units in the Sacramento Region. In addition, several projects are proposed for the coming years.

Conclusion

The demand for new housing in the Sacramento Region, as evidenced by sales activity, generally improved each year from 1995 through most of 2005, with the exception of 2001 when a slight decrease was seen due to a slowing national economy. The recent housing boom can be attributed to historically low interest rates, coupled with pent-up demand created by robust job growth around the turn of the century. Further, buyers have been drawn from other parts of the state and nation to the Sacramento Region for its established infrastructure, diversified employment base, variety of housing products, stable local economy and good climate.

The dramatic increase in new home prices in recent years has made single-family homes unaffordable to many entry-level homebuyers. This trend has resulted in increased demand for alternative locations, such as Sutter and Yuba Counties, and for alternatives such as small lots and attached product. Other areas of future development include Placer Vineyards near the Placer/Sacramento/Sutter County intersection, and Delta Shores in southern Sacramento County.

The late part of 2005 marked a turning point in the local housing market. For the first time in several years, the number of new home sales dropped significantly in the fourth quarter compared to the previous year. The first three quarters of 2006 brought continued slowing in sales rates, and slight

price declines are now being seen in the market. In the fourth quarter, sales activity was stronger than expected but prices continued downward. The general consensus among local experts is that the Sacramento housing market is stabilizing to a more sustainable level of activity. The outlook for 2007 is for a similar number of sales as 2006. In terms of pricing, most product should see stable pricing or slight declines, with the average regional price correction expected to be in the 10-15% range from the peak in 2005/2006. Upper-end product could see more dramatic price corrections. Improvement in market conditions is expected some time in 2008 or 2009.

ROSEVILLE HOUSING MARKET OVERVIEW

The subject market is defined as the Roseville area of Placer County. As reported by The Gregory Group, a local enterprise that tracks the trends of the regional housing market, there were 38 residential subdivisions actively marketing new homes in the Roseville market area during the Fourth Quarter of 2006. New home prices in this market typically range from roughly \$160,000 (condominiums) to \$1,200,000 (semi-custom homes). According to the Gregory Group Report, the average base price for active subdivisions marketing homes in Roseville was \$524,001. The following table summarizes the Fourth Quarter 2006 sales activity within the Roseville submarket.

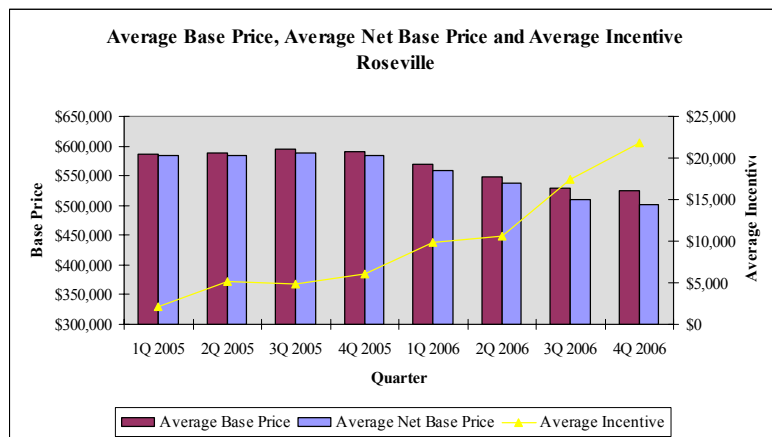
Base Price Range	\$159,990 - \$1,199,990
Average Base Price	\$524,001
Size Range (SF)	615 – 4,720 SF
Average Size (SF)	2,379 SF
Price/SF Range	\$135.09 - \$408.47
Average Price/SF	\$220.26

With the development of the subject property and neighboring master planned communities, such as Westpark and Fiddymont, there are a variety of land uses, including single and multifamily residential, commercial and recreational uses that will continue to be incorporated into the area over the next several years. The attraction to the area is primarily due to its proximity to the Sacramento Central Business District (CBD), as well as several of the major linkages in the region.

In the Third and Fourth Quarters of 2006, several new subdivisions began actively marketing homes in the Roseville market area, most of which were located within the Westpark master planned community. Please reference the *Neighborhood Overview* for a detailed discussion of Westpark, as well as other residential communities in the subject’s vicinity. Sales of new homes throughout the Sacramento region have improved significantly over the past several years; however, the residential sector is experiencing moderation with respect to pricing and absorption in the current market environment. Absorption and pricing figures are lower compared to the robust growth experienced over the past few years. The following table details the average new home pricing within Placer County over the past two years as reported by The Gregory Group.

City/Community (Average Price/ Quarter Sales)	2005				2006				Quarter % Change	Year Ago % Change
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr		
Roseville	\$587,179 443	\$588,669 372	\$593,921 274	\$590,395 37	\$569,325 127	\$549,130 312	\$528,334 158	\$524,001 279	-0.8% 76.6%	-11.2% 654.1%
Rocklin	\$612,344 71	\$649,701 27	\$519,079 40	\$551,231 23	\$582,284 67	\$571,290 101	\$551,080 42	\$609,820 134	10.7% 219.0%	10.6% 482.6%
Lincoln	\$560,326 297	\$530,060 507	\$526,121 316	\$522,877 146	\$508,640 353	\$499,018 477	\$526,839 236	\$522,212 300	-0.9% 27.1%	-0.1% 105.5%
Placer County	\$576,611 838	\$565,308 925	\$555,583 640	\$554,967 206	\$543,442 551	\$540,036 894	\$538,094 435	\$538,805 720	0.1% 65.5%	-2.9% 249.5%

In an effort to attract prospective homebuyers, many homebuilders are now offering incentives such as cash contributions toward down payments and closing costs, swimming pools, home upgrades, cars and vacations. These incentives have been initiated to generate interest during the period of moderating demand. Thus, in addition to decreases in overall base prices, incentives and concessions have increased during the same time period, effectively reducing base prices further. A chart summarizing pricing trends since the 1st Quarter of 2005 in Roseville is provided below.



With respect to absorption in the region as a whole, sales of new and resale homes have generally declined since the Third Quarter of 2005. Market participants (home builders, brokers, etc.) attribute a portion of the decline to speculative investors canceling contracts. Additionally, the absorption figures for the Fourth Quarter of 2006 are lower compared to previous quarters. However, the residential market is not anticipated to remain in the current state of moderation over the long-term.

As detailed in the previous table, overall absorption figures increased from the 3rd Quarter 2006 to the 4th Quarter 2006 in all four markets surveyed, which is expected given decreasing prices and/or increasing incentives.

The subject property is located within the city of Roseville, an area that is projected for a consistent amount of residential development over the next several years, with supporting commercial development. The proximity to the Sacramento employment sector has been beneficial for the numerous residential projects recently developed, and currently developing, in the area. As noted, however, the residential sector is currently in a state of moderation.

The following table summarizes each of the active residential subdivisions in the Roseville submarket as of the Fourth Quarter of 2006, including attached residential projects, such as condominium and townhouse developments.

Project	Builder	Planned Units	No. of Units Sold	Lot Size (SF)	Total Monthly Sales Rate	Average Floor Plan (SF)	Average Base Price
Detached Projects							
Canyon View at Stoneridge	Elliott Homes	482	446	6,500	6.68	2,681	\$644,093
Briarwood at Stoneridge	Elliott Homes	224	204	10,000	3.40	2,814	\$680,825
Sevilla at Crocker Ranch	JMC Homes	177	175	4,500	4.07	2,026	\$476,990
Morgan Greens	JMC Homes	117	98	9,900	2.45	3,525	\$673,323
Riviera	JMC Homes	110	102	6,000	2.55	2,388	\$578,561
Casa Bella	JMC Homes	210	74	6,600	1.95	2,982	\$588,323
The Estates at Morgan Creek	JMC Homes	94	59	22,000	1.48	3,874	\$1,023,990
Vianza	JMC Homes	71	54	10,000	1.71	3,277	\$835,990
Waterstone	Lakemont Homes	82	60	20,000	2.05	3,342	\$834,067
Centro Vita	Parkland Homes	56	56	4,500	2.23	2,458	\$534,667
Legacy at Doyle Ranch	Pulte Homes	126	126	11,000	4.10	3,523	\$642,323
Parkside Estates	JMC Homes	35	16	6,500	0.87	2,982	\$586,657
Strada	John Laing Homes	242	208	2,200	7.39	1,357	\$349,657
Vista Oaks	Parkland Homes	42	41	7,956	2.05	2,869	\$721,556
Longmeadow - The Premier Series	JMC Homes	400	136	3,000	8.35	1,465	\$411,240
Altessa at Woodcreek	Tim Lewis Communities	85	23	4,704	2.15	1,986	\$447,067
Legacy at Junction Blvd	D.R. Horton	71	63	4,000	6.95	1,698	\$380,157
Villanov	Tim Lewis Communities	248	53	3,000	4.56	1,347	\$353,990
Willow Creek	Standard Pacific	76	15	21,780	1.43	3,949	\$686,500
The Estates at Amberley Place	Pulte Homes	111	26	7,150	2.87	2,842	\$529,490
The Classics at Amberley Place	Pulte Homes	102	15	5,775	1.65	2,280	\$448,740
Mira Bella at Crocker Ranch	JMC Homes	161	9	4,950	1.29	2,267	\$451,419
The Orchards at Fiddymont Farm	Morrison Homes	83	4	6,600	0.48	2,836	\$517,325
Longmeadow - The Executive Series	JMC Homes	144	18	6,050	2.87	2,571	\$507,133
The Club at WestPark	Del Webb	704	66	2,925	7.67	2,186	\$508,047
Avonlea	Centex Homes	98	11	5,250	2.06	2,490	\$461,190
Shadow Creek at Fiddymont Farm	Shea Homes	93	6	6,000	1.52	3,078	\$517,900
Meadow Gate	Centex Homes	147	5	7,035	1.13	2,452	\$486,704
Victoria Station	Church Street Station LLC	48	3	2,960	0.99	1,464	\$360,000
Wayfarer at WestPark	Lennar Communities	77	5	9,000	2.39	3,397	\$573,950
Laureate at WestPark	Lennar Communities	88	8	7,350	4.91	3,551	\$610,150
Ironcrest at Fiddymont	Lennar Communities	75	3	7,350	3.23	2,897	\$537,783
Eskaton Village - Roseville	Lakemont Homes	289	8	4,000	6.88	1,439	\$437,490
Attached Projects							
The Phoenician	Granite Bay Holdings	324	152	N/Ap	5.40	964	\$291,250
Campania	John Laing Homes	166	158	N/Ap	5.86	1,412	\$302,190
The Villages of The Galleria	Col Rich Homes	400	181	N/Ap	8.84	920	\$209,990
Vana at Galleria	Avenue Communities	258	43	N/Ap	4.87	1,038	\$359,829
Shasta Oaks Townhomes	Dunmore Communities	26	6	N/Ap	1.03	1,243	\$328,567

Absorption Conclusion

The absorption statistics reported reflect the cumulative data observed at the respective projects since opening for sale. According to The Gregory Group and the sales agents from the respective projects, the most recent absorption statistics reveal lower absorption rates in comparison to those reported for earlier quarters as the residential market has moderated. With the robust growth experienced in previous years, most projects have benefited, experiencing strong increases in prices and absorption rates. In the current market, new home prices are not sustaining the same level of appreciation as they have in recent years, especially considering the incentives and concessions being offered by the builders. The following table shows a comparison between total absorption since opening for sale and absorption reported during the Fourth Quarter of 2006 for all of the projects detailed on the previous page.

Project	Builder	Total Monthly Sales Rate Since Opening	4Q 2006 Monthly Sales Rate
Detached Projects			
Canyon View at Stoneridge	Elliott Homes	6.68	4.63
Briarwood at Stoneridge	Elliott Homes	3.40	4.96
Sevilla at Crocker Ranch	JMC Homes	4.07	2.98
Morgan Greens	JMC Homes	2.45	2.32
Riviera	JMC Homes	2.55	-0.99
Casa Bella	JMC Homes	1.95	-0.33
The Estates at Morgan Creek	JMC Homes	1.48	1.65
Vianza	JMC Homes	1.71	2.32
Waterstone	Lakemont Homes	2.05	0.66
Centro Vita	Parkland Homes	2.23	0.33
Legacy at Doyle Ranch	Pulte Homes	4.10	0.33
Parkside Estates	JMC Homes	0.87	0.33
Strada	John Laing Homes	7.39	3.31
Vista Oaks	Parkland Homes	2.05	0.99
Longmeadow - The Premier Series	JMC Homes	8.35	5.95
Altessa at Woodcreek	Tim Lewis Communities	2.15	1.32
Legacy at Junction Blvd	D.R. Horton	6.95	5.95
Villemont	Tim Lewis Communities	4.56	4.63
Willow Creek	Standard Pacific	1.43	1.32
The Estates at Amberley Place	Pulte Homes	2.87	3.97
The Classics at Amberley Place	Pulte Homes	1.65	4.30
Mira Bella at Crocker Ranch	JMC Homes	1.29	2.98
The Orchards at Fiddymont Farm	Morrison Homes	0.48	-0.33
Longmeadow - The Executive Series	JMC Homes	2.87	3.97
The Club at WestPark	Del Webb	7.67	5.29
Avonlea	Centex Homes	2.06	2.98
Shadow Creek at Fiddymont Farm	Shea Homes	1.52	1.65
Meadow Gate	Centex Homes	1.13	1.32
Victoria Station	Church Street Station LLC	0.99	0.99
Wayfarer at WestPark	Lennar Communities	2.39	1.65
Laureate at WestPark	Lennar Communities	4.91	2.65
Ironcrest at Fiddymont	Lennar Communities	3.23	0.99
Eskaton Village - Roseville	Lakemont Homes	6.88	2.65
Attached Projects			
The Phoenician	Granite Bay Holdings	5.40	6.62
Campania	John Laing Homes	5.86	5.95
The Villages of The Galleria	Col Rich Homes	8.84	5.29
Venu at Galleria	Avenue Communities	4.87	-1.98
Shasta Oaks Townhomes	Dunmore Communities	1.03	-1.32

Most of the active projects have experienced slower absorption rates in recent months compared to prior quarters. This is a trend occurring throughout the region and much of the state and nation as the housing market stabilizes. As discussed previously, the residential sector is experiencing moderation with respect to pricing and absorption in the current market environment. Absorption and pricing figures are lower compared to the robust growth experienced over the boom years of 2000 to 2005. However, it is noted the amount of entitled residential land that is near-ready for development in the subject's market area is limited. In addition, the residential market is not anticipated to remain in the current state of moderation over the long-term. As such, while absorption is projected to be slower over the next year compared to historical figures for competitive developments, it is expected the residential sector will rebound from the lows experienced in late-2005 to early-2006.

Market evidence shows there is adequate demand to substantiate development and construction of residential units on the subject property. However, with the market moderating, competition among builders will remain. National builders that retain large inventories are price under-cutting in order to quickly clear inventories and reinvest elsewhere, while regional and local builders continue to price projects at levels that maximize profits (at lesser sales rates). There are several residential projects in the subject's immediate vicinity, as well as the Sacramento area as a whole. Though there is projected demand for the subject property and other active projects, in light of increasing inventories, planned projects without tentative map approval may face longer entitlement timelines, which would benefit the subject property.

RETAIL MARKET OVERVIEW

Introduction

The Sacramento retail market remains strong overall, but is experiencing a rise in vacancy as a result of significant new construction, coupled with several grocery store closures. After staying below 5% for over two years (since First Quarter 2004), the overall market vacancy rate reached 5.0% in Second Quarter 2006 and continued upward to 5.9% in Third Quarter 2006 and 6.2% in Fourth Quarter 2006. Despite rising vacancy, lease rates have been stable to rising in most submarkets, with asking lease rates for in-line space in new anchored centers averaging \$2.75 to \$3.25 per square foot per month, triple net. Net absorption in the region was over 642,000 during the fourth quarter, bringing the year-end net absorption to over 1 million square feet. During 2006, absorption was strongest in North Natomas and Laguna/Elk Grove.

Generally speaking, the year 2006 was strong for the Sacramento retail market. The region has continued to attract local, regional and national retailers responding to the population and housing boom of 2000 to 2005. IKEA opened a regional home furnishings store in West Sacramento, and Rocklin has welcomed new players to the region such as RC Willey, Stein Mart and Shoe Pavilion. In addition, several locally based retailers have been expanding, including Beck's Furniture and California Family Fitness. In contrast, the grocery segment of the market is experiencing a shake-up, with Ralphs closing all eight of its Sacramento area grocery stores during the first quarter of the year. Albertson's reportedly plans to close several local stores as well.

There appear to be some signs of cooling in the retail market in response to the housing market slowdown that began in late 2005. This cooling is affecting absorption times for lease-up of vacant space, but does not appear to be causing rent declines for most areas and product types.

Lease Rates

Lease rates were stable to slightly rising for most product types during Fourth Quarter 2006. Asking lease rates for in-line space in new retail centers are typically \$2.75 to \$3.25 psf/month (triple net). The highest rents are being achieved in the growing areas of Roseville, Rocklin, Elk Grove, Folsom and North Natomas. In some new shopping centers in these areas, in-line space is now garnering up to \$3.50 psf/month. It is anticipated retail lease rates will be generally stable over the next 12 months, with a slowdown in demand offset by continuing increases in construction costs.

Vacancy

The overall retail market vacancy rate in the Sacramento Region as of Fourth Quarter 2006 was 6.2%, up from 5.9% in the third quarter, 5.0% in the second quarter and 4.5% in the first quarter. Until Third Quarter 2006, the market vacancy rate had been at or below 5% for over two years (since First Quarter 2004), and reached a low of 4.1% in Second Quarter 2005. The following chart summarizes the recent history of retail vacancy in the Sacramento region (annual averages).



Source: CB Richard Ellis

The following table summarizes average vacancy rates by type of retail property.

Property Type	Rentable SF	4Q 2006 Vacancy	Last Quarter
Power Centers	3,984,913	1.8%	1.6%
Community Centers	13,748,990	5.2%	4.9%
Freestanding Buildings	4,260,378	5.2%	5.3%
Specialty Centers	1,100,761	6.9%	6.8%
Neighborhood Centers	11,264,493	8.8%	8.7%
Strip Centers	492,069	20.1%	11.0%
Market Total	34,851,604	6.2%	5.9%

Source: CB Richard Ellis

The recent quarterly vacancy rates for the Sacramento area submarkets are presented in the following table.

Submarket	Rentable SF	4Q 2006 Vacancy	Last Quarter
West Sacramento/Davis	1,256,310	1.7%	1.5%
Auburn/Loomis	1,199,969	2.6%	1.8%
Greenhaven/Pocket	384,888	3.0%	1.7%
South Sacramento	4,155,157	3.4%	3.1%
Laguna/Elk Grove	3,325,415	4.0%	1.7%
Arden/Watt/Howe	3,094,823	4.5%	4.7%
Folsom/El Dorado Hills	3,533,667	5.1%	4.4%
South Natomas	589,377	5.2%	5.2%
Roseville/Rocklin	5,938,053	6.1%	5.7%
North Natomas	2,082,881	6.6%	7.0%
Citrus Heights/Fair Oaks	3,571,251	6.8%	7.8%
Carmichael	1,103,806	7.4%	8.0%
North Highlands	1,974,989	10.7%	10.0%
Hwy 50/Rancho Cordova	2,641,018	16.6%	16.7%
Market Total	34,851,604	6.2%	5.9%

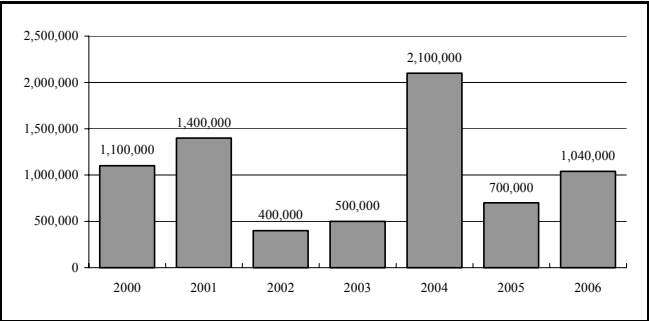
Source: CB Richard Ellis

This recent survey demonstrates most submarkets are still performing very well, with all but two of the submarkets exhibiting vacancy rates below 10%. About half of the region’s 14 submarkets posted vacancy rates under 5% for the quarter. It should be noted the above rates are based on a survey of retail properties over 50,000 square feet, excluding regional malls.

Absorption

Net absorption for the retail market in the Sacramento area was positive 642,094 square feet during Fourth Quarter 2006. Net absorption for the year 2006 was 1,042,430 square feet, up from 713,559 square feet in 2005. The following chart shows annual net absorption figures for the past few years.

Sacramento Retail Market Net Absorption (SF Rounded)



Source: CB Richard Ellis

The following table shows net absorption totals by submarket for the most recent quarter and year.

Submarket	4Q 2006 Net Absorption (SF)	Year 2006 Net Absorption (SF)
Folsom/El Dorado Hills	80,967	
Roseville/Rocklin	52,406	
North Natomas	624,834	
Laguna/Elk Grove	4,938	
South Sacramento	-10,152	--
Greenhaven/Pocket	-5,274	Data not yet available
West Sacramento/Davis	-2,538	
Citrus Heights/Fair Oaks	-85,979	--
Auburn/Loomis	-9,000	
South Natomas	0	
Carmichael	7,321	
Hwy 50/Rancho Cordova	1,740	
North Highlands	-13,000	
Arden/Watt/Howe	-4,169	
Market Total	642,094	1,042,430

Source: CB Richard Ellis

In the year 2006, the submarkets achieving the strongest absorption were North Natomas, Folsom/El Dorado Hills, Roseville/Rocklin and Laguna/Elk Grove.

New Construction

Over 900,000 square feet of new retail space was completed in Fourth Quarter 2006 in the region. Projects completed during the quarter included: The Promenade at Sacramento Gateway, a 663,000 square foot power center in North Natomas, and Stonelake Landing, a neighborhood center on Elk Grove Boulevard in Elk Grove. The retail projects currently under construction in the region total nearly 2.8 million square feet of space. Roseville/Rocklin has the largest share of this figure, with 1.1 million square feet under way. Following Roseville/Rocklin are Auburn/ Loomis/Lincoln (409,000 SF), West Sacramento/Davis (398,000 SF), South Sacramento (345,000 SF), Highway 50/Rancho Cordova (303,000 SF), Folsom/El Dorado Hills (120,000 SF), and North Natomas (61,000 SF).

The following is a summary of the region's largest retail projects under construction and planned.

Project	Retail SF	Description	Status
River Pointe Marketplace West Sacramento	700,000	Anchored by IKEA, Home Depot, Wal-Mart	Under construction (IKEA already open)
College Square Elk Grove	218,000	Neighborhood center	Under construction
Blue Oaks Town Center Rocklin	600,000	Anchored by RC Willey, Stein Mart, Shoe Pavilion, Mervyn's, Petco	Under construction (some stores already open)
Lincoln Crossing Marketplace Lincoln	368,615	Anchored by Home Depot, Target, Staples, PetSmart, Holiday Inn Express	Under construction (Home Depot and Target already open)
Palladio at Broadstone Folsom	930,000	Lifestyle center; retail, offices, 16-screen theater	Approved
Woodland Gateway Center Woodland	525,000	Anchored by Costco, Target	Approved
The Landing at Bradshaw Rancho Cordova	400,000	Big box stores, theaters, restaurants, shops	Near approval Delivery late 2007
The Fountains Roseville	350,000	Lifestyle center; anchored by Whole Foods Market, Z Gallerie, Anthropologie	Approved Developer making changes
Galleria Mall Expansion Roseville	450,000	Stores, restaurants and parking	Planning
Rocklin Crossings Rocklin	534,500	Regional center on Interstate 80 corridor	Planning
Capital Village Town Center Rancho Cordova	270,000	Anchored by Lowe's	Planning
Elk Grove Promenade Elk Grove	1.3 million + 2 million satellite	Regional open-air town center; four department stores, 16 to 18 movie screens, entertainment	Planning
Power center Folsom	1 million	3,500 acres in planned annexation area south of Highway 50	Early planning
Union Pacific Railyards Sacramento	1.37 million	Major redevelopment project with retail, office and residential uses	Early planning

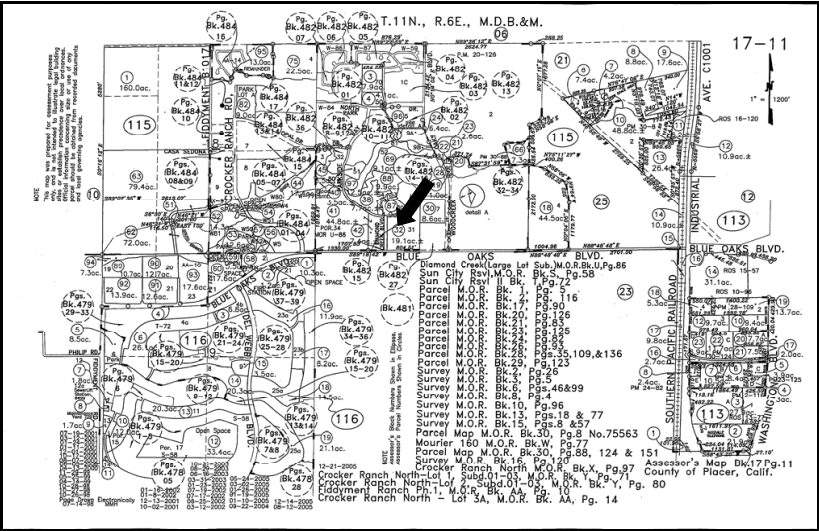
Forecast – Next 12 Months

The Sacramento area retail market is expected to remain fairly steady in 2007, with some possible slowing in absorption in response to the housing market slowdown that began around late 2005. However, pent-up demand for retail uses is still a factor following the substantial population growth and residential development seen during the 2000 to 2005 period. The growth areas of Roseville/Rocklin, Folsom, North Natomas and Elk Grove are expected to continue to lead the market in terms of new construction and absorption. Future growth areas are expected to be Lincoln, Rancho Cordova, southern Sutter County, West Roseville, the Interstate 80 corridor between Rocklin and Loomis, and the Highway 50 corridor east of El Dorado Hills.

Vacancy rates are expected to remain healthy for the near term, but could increase slightly due to new construction projects coming online and slowing absorption. Even if vacancy continues to rise, retail lease rates are expected to be generally stable in the coming year, in part because of high construction costs.

One challenge in the near term will be the grocery stores vacated by Ralphs and the planned closures of some Albertson's stores. The eight Ralphs stores were listed for sale and lease in the first half of 2006, totaling about 375,000 square feet. In August 2006, the Alamo Group (Bay Area) announced it would team with Nugget Markets Inc. to buy or lease all eight former Ralphs stores. At least two of the stores will become Nugget grocery stores, and the others will be redeveloped and leased to other retailers. Market participants have speculated other uses could include gyms, furniture stores or discount stores. Until these stores have new tenants, the smaller tenants in those shopping centers will likely be adversely affected due to reduced traffic.

PROPERTY IDENTIFICATION AND LEGAL DATA



Location

The subject property is located along the east line of Diamond Creek Boulevard, north of Blue Oaks Boulevard, within the city of Roseville, Placer County, California.

Street Address

110 Diamond Creek Place
Roseville, California 95747

Assessor's Parcel Number(s)

The subject property is situated within the confines of a single assessor's parcel identified as 017-115-032.

Owner of Record

Title to the subject property is presently vested with Diamond Creek Partners, Ltd.

Legal Description

A complete legal description of the subject property is contained within the preliminary title report provided for use in our analysis. A copy of this document has been included in the Addenda to this report.

Property Taxes

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

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

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

Tax information for the subject property pertaining to the 2006-2007 tax year is tabulated below.

Description	APN: 017-115-032
Assessed Land Value	\$674,679
Assessed Improvement Value	\$0
Total Assessed Value	\$674,679
Tax Rate (Area 005-001)	1.0508%
Taxes on Assessed Value	\$7,089.43
Direct Charges	
Placer Mosquito Abatement	\$2.76
City of Roseville North Roseville CFD #1	\$67,474.44
City of Roseville North Roseville CFD #2	\$3,563.68
Total Direct Charges	\$71,040.88
Total Property Taxes	\$78,130.31

According to the Placer County Treasurer-Tax Collector’s Office, the subject property is located in tax rate area 005-001, which has an annual tax rate of 1.0508% based on assessed value. Additionally, the property is encumbered by several direct charges, also listed in the previous table. The Placer Mosquito Abatement and City of Roseville NR CFD #2 charges are in perpetuity (i.e., cannot be paid off). These direct charges finance the ongoing public services, such as landscaping, maintenance of parks, roads, lighting, etc. The City of Roseville North Roseville CFD #1 represents bond debt. According to Muni Financial, the bond administrator, this Mello-Roos bond expires in 2023-2024 tax year. The subject property will also be annexed into the City of Roseville North Roseville CFD #3, which is a municipal services district. As detailed in the *Sources and Uses* document, prepared by Piper Jaffray and Co. and dated January 22, 2007, total payments for the North Roseville CFDs #1, #2 and #3 are expected to amount to \$479 per residential unit, with no payments allocated to the commercial component.

The appraised property will be encumbered by the Diamond Creek Villages Community Facilities District (CFD) No. 1 bond. With respect to special taxes, we have relied upon the *Rate and Method of Apportionment of Special Tax (RMA)* document, prepared by Goodwin Consulting Group, to determine the annual special tax levy on the subject property. In the document, a copy of which has been reproduced and included in the Addenda of this report, the subject property is segregated into three zones, with Zone 1 comprising the 131 single-family residential lots, Zone 2 encompassing the eight townhouse lots, and Zone 3 comprising the 6.52-acre mixed-use site. The base year annual special taxes under the Diamond Creek Villages CFD No. 1 bond district are detailed in the following table. The special taxes are subject to a 2% annual escalation factor.

Tax Zone	Proposed Land Use	Base Year Special Tax Per Lot/Unit/SF
Zone 1	Single-Family Residential	\$1,425 per lot
Zone 2	Townhouse (MDR)	\$1,100 per lot
Zone 3	Condominium Units (HDR)	\$624 per unit (on average)
	Commerical (75,000 sf)	\$0.36 psf of rentable area

The base year special tax payment for the high-density residential component within Zone 3 is projected to total \$219,525, which equates to approximately \$624 per unit ($\$219,525 \div 352$ units). As detailed in the *RMA*, the number of condominium units could change prior to final map recordation of the condominium plan, in which the maximum special tax per unit would be revised to reflect the new unit count. If, at some future date, alternate mapping of the subject property is implemented, there will necessarily be a direct impact on value, and the opinion(s) of value would be altered.

The financing provided through the Diamond Creek Villages CFD No. 1 bond issuance is scheduled to fund improvements relating to site work associated with the subject property. These improvements include—but are not limited to—drainage, water, sewer, wet and dry utilities, concrete curbs, gutters and sidewalks, street lighting, landscaping, masonry walls, erosion control, signing and striping, traffic signals, and other miscellaneous improvements.

Conditions of Title

A preliminary title report, prepared by First American Title Company and dated July 17, 2006, was provided for use in this appraisal and is included in the Addenda to this report. While the appraiser has reviewed the conditions of title and has determined no adverse impact on value, the appraiser assumes no negative title restrictions have been recorded since the date of the preliminary title report. The appraiser accepts no responsibility for matters pertaining to title.

Zoning

Diamond Creek Villages CFD No. 1 relates to developable portions designated for single-family residential, multifamily residential, and commercial development. A description for each of these land use designations is presented below. The information was obtained from our conversations with the City of Roseville Planning Department.

Land Use	Applied Zoning Districts
Residential Uses	
MDR – Medium Density Residential	RS/DS
HDR – High Density Residential	R3
Service and Employment Uses	
CMU/SA – Commercial Mixed Use/Special Area	CMU/SA
Public Uses	
P/R – Parks and Recreation	P/R

RS/DS – Small Lot Residential/Design Standard Overlay: The RS, Small Lot Residential district is intended to allow either attached or detached single-family dwellings and similarly related compatible uses. The minimum lot size within this zone is 4,500 square feet. Front and rear yard setbacks are 20 feet, with side yard setbacks of five feet. Permitted uses include residential dwellings and accessory buildings. The Design Standard Overlay district has been applied to allow variations to development standards for higher densities (10.6 to 10.7 dwelling units/acre). The overlay district permits smaller lots, widths, depths and setbacks than those stipulated in the Municipal Code.

R3 – Attached Housing: The R3, Attached Housing district is intended for multiple-family housing. The types of land use intended for the R3 zoning district include apartments, condominiums, town homes and similar or related compatible uses.

CMU/SA – Commercial Mixed Use/Special Area: The Commercial Mixed Use district is intended to promote a variety of commercial use types and the flexible citing of other uses that are typically considered to be compatible with commercial development. It is the intent of the CMU zoning district to establish a mix of uses, which will be accompanied by overlay zones to ensure that different commercial uses will be successfully integrated into desirable, cohesive commercial districts. The Special Area (SA) overlay district allows modification of the underlying general district regulations (including both permitted use types and development standards) by reference to regulations adopted either in a Specific Plan, which applies to the property so classified, or in the ordinance rezoning the property so classified.

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

The parks and recreation sites are included in, but not part, of the District. This portion will not be encumbered by special taxes and is excluded from the analysis.

Entitlements

The subject property is identified as Parcel DC-31 within the North Roseville Specific Plan. On July 11, 2002, a major project permit for the subject parcel, in conjunction with Parcels DC-30 and DC-33, was approved by the Planning Commission for the development of a mixed-use commercial and office project with 360,500 square feet of rentable area. The entitlements were modified in May 2004 and again in 2005, resulting in a reduction in rentable area to 351,173 square feet, with 253,500 square feet allocated to the subject property (Parcel DC-31). At that time the property was designated for commercial development under the General Plan and Specific Plan, with a CC – Community Commercial zoning ordinance. On November 9, 2006, the Planning Commission approved a motion with a 3 to 2 vote to amend the General Plan, Specific Plan, and zoning designation to allow for a combination of commercial and residential development. While persons in opposition of the proposed project filed an appeal, the City Council met on February 21, 2007 to hear/approve the General Plan Amendment, Specific Plan Amendment, zoning, and entitlements for the subject development, thereby denying the appeal. With this approval, the subject property was rezoned to the uses as described above, and the tentative subdivision map was approved. Additionally, a Development Agreement is in place between the City of Roseville and Diamond Creek Partners, Ltd. that grants the right to develop the property as planned, so long as the density, intensity, rate and timing of the development remains consistent with the amended North Roseville Specific Plan and Development Agreement.

The entitlements and Development Agreement allow for 131 single-family lots, eight townhouse lots, and development of a 6.52-acre site as multi-story, mixed-use commercial and residential buildings with ground level retail/office space and 352 residential condominium units (including 50 affordable housing units) situated above the commercial space. The entitlements were split into two stages, with the single-family, townhouse and commercial components having Stage 1 and 2 approvals, and the condominiums having Stage 1 approval. The purpose of splitting the approvals was to allow the Planning Commission the ability to review all design details of the condominiums prior to granting Stage 2 (final) approval. The overall density and unit count for the 352 residential condominium units was approved in Stage 1, but it is possible for the number of condominium units to change depending on the design guidelines of the Planning Commission. If, at some future date, alternate mapping of the subject property is implemented, there will necessarily be a direct impact on value, and the opinion(s) of value would be altered.

Flood Zone

Source:	Federal Emergency Management Agency (FEMA)
Flood Zone:	Zone X – Areas outside of the 100 and 500-year floodplains
Map Panel:	060243 – 0394F
Panel Date:	June 8, 1998
Flood Insurance:	Not required

Earthquake Zone

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

Easements

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

SITE DESCRIPTION

The subject property is located in the North Roseville Specific Plan (NRSP) area of the city of Roseville, Placer County, California. Adopted on August 6, 1997, with June 1998 and March 2000 amendments, the NRSP encompasses approximately 1,552 acres and is projected for the build-out of 4,318 single-family units, 663 multifamily units, 400 age-restricted residences, 108.9± acres of commercial development, 69.1± acres of public/quasi-public uses (e.g., schools, places of worship), and 301.7± acres of parks, recreation and open space. The subject is situated within the confines of a single assessor's parcel identified as APN 017-115-032, which is located along the east line of Diamond Creek Boulevard, north of Blue Oaks Boulevard. Land uses in the subject's immediate area are devoted primarily to residential uses and supporting commercial development, both of which have experienced steady acceptance by the market. With the development of the Fiddymment Ranch and Westpark master planned communities in nearby West Roseville, there are a variety of land uses, including single and multifamily residential, commercial and recreational uses that will be incorporated into the area in the near-term.

The Diamond Creek Villages CFD No. 1 bond issuance is scheduled to fund certain portions of the public improvements required for the development of multiple components, including single-family residential, attached residential (townhouses) and mixed-use (retail and condominium) development. The single-family residential component of the subject property consists of 131 detached lots with a typical lot size of 2,500 square feet. While the lots are detached, the project is representative of a cluster housing subdivision in which the lots will correspond to the footprint of each residence, along with an enclosed patio area. Additionally, the subject's proposed units will have shared common areas, including driveways, landscaping, and parks, all of which will be owned and maintained by a Homeowner's Association (HOA). Additionally, there are several larger lots that are anticipated to receive premiums relative to the standard lot. The townhouse component is located at the northeast corner of the subject parcel and will be developed with eight attached units with a density of 10.66 units per acre. Finally, the 6.52-acre mixed-use site is proposed for 75,000 square feet of retail space and covered parking on the first floor, with 352 condominium units situated in three separate buildings above the commercial space and parking. These mixed-use buildings will be four to five stories upon completion.

The subject property is further described as follows:

Assessor's Parcel Number(s): 017-115-032

Land Area:	
Single-Family Residential (131 lots)	11.82± acres
Townhouse Component (8 lots)	0.75± acres
Mixed-Use Commercial/Residential	<u>6.52± acres</u>
Total	19.09± acres

Typical Lot Size:	The single-family residential component of the subject property will have a typical lot size of 2,500 square feet.
Topography:	The topography of the subject property is generally level.
Shape:	Irregular
Soils:	The appraiser has not been provided a soils report to determine the load bearing capacity of the subject property. Based on the surrounding improvements, no adverse subsoil conditions are apparent. The soils appear to be similar to other local parcels that, to the best of our knowledge, have been improved with no adverse effects.
Drainage:	Based on the development plan, our physical inspection of the subject property, and assuming typical grading and paving work will be completed, it is expected the subject property will provide adequate drainage, similar to other developments in the immediate area.
Frontage/Visibility/Access:	The subject property has frontage, visibility, and access along the east line of Diamond Creek Boulevard and north side of Blue Oaks Boulevard. State Highway 65, a major north/south arterial in the area, is situated approximately two miles east of the subject property. Additionally, State Highway 65 intersects with Interstate 80 approximately three miles to the south. Overall, the accessibility and visibility of the subject property are considered average.
Adjacent Uses:	
North	Office and retail development
South	Blue Oaks Boulevard, single-family residential, and Cooley Middle School
East	The Villas condominiums
West	Vacant land proposed for age-restricted residential development
Utilities:	Public utilities, including electricity, natural gas, water and telephone service, are available at the perimeter of the property and will be extended to each of the land components. Public utilities will be served by the following providers:

Water: City of Roseville
Sewer: South Placer Waste Water Authority
Natural Gas: Pacific Gas and Electric
Electricity: Roseville Electric
Telephone: AT&T
Fire: Roseville Fire Department
Police: Roseville Police Department

Environmental Issues:

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

Agricultural Preserve:

The subject is not affected by the Williamson Act, also known as the California Land Conservation Act of 1965. This Act enables local governments to enter into contracts with private landowners for the purpose of restricting specific parcels of land to agricultural or related open space use. In return, landowners receive property tax assessments that are much lower than normal because they are based upon farming and open space uses. Local governments receive an annual subvention of forgone property tax revenues from the state via the Open Space Subvention Act of 1971.

Functional Adequacy:

The subject property has been designed to be an integrated and complementary part of the larger North Roseville Specific Plan. The primary connector routes will originate from Diamond Creek Boulevard, Blue Oaks Boulevard, and Parkside Way. An interior street system will serve all of the various components of the development. Overall, based on the development plan, the functional adequacy and utility of the subject property within the larger context of the North Roseville Specific Plan are considered good.

Off-Site Improvements:

All off-site improvements, including concrete curbs, gutters, sidewalks, asphalt-paved streets, and

streetlights, are in place and are considered to be in average condition.

On-Site Improvements:

None

Permits and Fees:

The subject's permits and fees (impact fees) pertaining to home construction are projected to average approximately \$45,000 per unit for the single-family and townhouse units, and \$30,000 per unit for the condominiums, both of which are typical for the Roseville area.

Conclusion:

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

[illegible][illegible]

FACILITIES TO BE FINANCED BY THE DISTRICT

This report will address the hypothetical market value of the subject property assuming completion of the improvements to be financed by the Diamond Creek Villages Community Facilities District No. 1 bond issuance (Series 2007 bonds). The construction fund proceeds will be used for improvements relating to site work associated with the subject property. These improvements include—but are not limited to—drainage, water, sewer, wet and dry utilities, concrete curbs, gutters and sidewalks, street lighting, landscaping, masonry walls, erosion control, signing and striping, traffic signals, and other miscellaneous improvements. A summary of the improvements authorized to be financed by the District are detailed in the table entitled *Preliminary Engineer's Opinion of Probable Construction Cost*, prepared by Diamond Creek Partners, a copy of which is included in the Addenda to this report. Any significant variations from the cost projections used in this analysis could have an impact on the value concluded in this report. If, at some future date, the actual improvement costs are reported to be different from the projected costs utilized in our analysis, the value opinion(s) contained herein could be affected.

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

SUBJECT PHOTOGRAPHS



East view from Diamond Creek Blvd.



Southeast view of the subject property



Looking south across the subject property



Looking south along Diamond Creek Blvd.



North view from Blue Oaks Boulevard



Looking northeast across the subject property



Northerly view across the subject property



Looking west along Blue Oaks Boulevard



Looking east along Blue Oaks Boulevard



Northeast view of the subject property

HIGHEST AND BEST USE ANALYSIS

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

The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility and maximum productivity.⁶

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

Highest and Best Use – As Vacant

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

Legal Permissibility

The legal factors influencing the highest and best use of the subject property are primarily government regulations, such as zoning and building codes. The subject property is identified as Parcel DC-31 within the North Roseville Specific Plan. On July 11, 2002, a major project permit for the subject parcel, in conjunction with Parcels DC-30 and DC-33, was approved by the Planning Commission for the development of a mixed-use commercial and office project with 360,500 square feet of rentable area. The entitlements were modified in May 2004 and again in 2005, resulting in a reduction in rentable area to 351,173 square feet, with 253,500 square feet allocated to the subject property (Parcel DC-31). At that time the property was designated for commercial development under the General Plan and Specific Plan, with a CC – Community Commercial zoning ordinance.

On November 9, 2006, the Planning Commission approved a motion with a 3 to 2 vote to amend the General Plan, Specific Plan, and zoning designation to allow for a combination of commercial and residential development. The City Council met on February 21, 2007 to hear/approve the General Plan Amendment, Specific Plan Amendment, zoning, and entitlements for the subject development. With this approval, the zoning of the subject property includes a combination of RS/DS – Small Lot Residential, CMU/SA – Commercial Mixed Use/Special Area, and R3 – Attached Housing. Additionally, a Development Agreement is in place between the City of Roseville and Diamond Creek Partners, Ltd. that grants the right to develop the property as planned, so long as the density,

⁶ *The Dictionary of Real Estate Appraisal*, 4th ed. (Chicago: Appraisal Institute, 2002), 135.

intensity, rate and timing of the development remains consistent with the amended North Roseville Specific Plan and Development Agreement.

This area has undergone extensive planning and review, and zoning modifications are considered highly unlikely. The entitlements and Development Agreement allow for 131 single-family lots, eight townhouse lots, and development of a 6.52-acre site as multi-story, mixed-use commercial and residential buildings with ground level retail/office space and 352 residential condominium units (including 50 affordable housing units) situated above the commercial space. Based on a review of the zoning ordinances, and considering the subject’s entitlements, the legally permissible uses of the subject property are for a combination of residential and commercial development.

Physical Possibility

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

The subject property is located within an area of the city of Roseville identified as the North Roseville Specific Plan, which is generally bounded by the Roseville city limits to the north, Marbledorpe Drive to the south, Woodcreek Oaks Boulevard to the east, and Fiddymment Road to the west. With the development of adjacent master planned communities, such as Crocker Ranch, Westpark and Fiddymment Ranch, there are a variety of land uses, including single and multifamily residential, commercial and recreational uses, that will continue to be incorporated into the area over the next several years. As such, the subject’s market area is considered to be in a stage of growth. Overall, the subject’s location is considered good for the legally permissible uses. The property has frontage, visibility, and access along the north line of Blue Oaks Boulevard and east side of Diamond Creek Boulevard. Additionally, the subject is situated approximately two miles west of State Highway 65, a major thoroughfare in the area.

Locational considerations include the compatibility and position of the subject property with respect to surrounding uses. Based on our physical inspection of the subject property, we know of no reason why the property would not support any legal development. The size, shape and topography of the subject property appear adequate for development. The property is located in Flood Zone X, described as areas outside of the 100- and 500-year floodplains. Flood insurance is not required. In addition, the property is not located within a Fault-Rupture Hazard Zone. All utility services are available, and evidence of construction in the area provides additional support for the possibility of development. Typical roadway and utility easements exist but are not unusual in any way. It is assumed any easements do not adversely affect the subject’s potential for development.

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

Overall, the subject property is concluded to have physical characteristics that support the legally permissible uses.

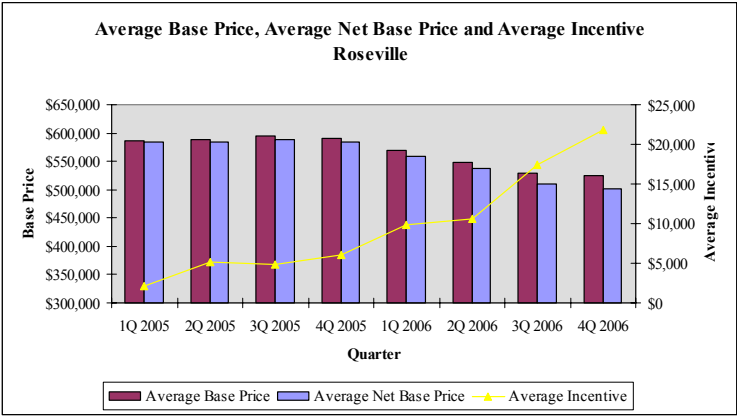
Financial Feasibility

Based on the legal and physical constraints previously discussed, the potential use of the subject property is for a combination of residential and commercial development. The determination of financial feasibility is dependent primarily upon supply and demand influences. The subject property is located within the city of Roseville, which has experienced steady growth in the residential sector over the past several years, with commercial development also experiencing growth in response to increased population.

Sales of new homes throughout the Sacramento region have improved significantly over the past several years; however, the residential sector is experiencing moderation with respect to pricing and absorption in the current market environment. Absorption and pricing figures are lower compared to the robust growth experienced over the past few years. The following table details the average new home pricing within several submarkets of Placer County over the past two years, as reported by The Gregory Group, an enterprise that tracks the regional housing market.

City/Community (Average Price/ Quarter Sales)	2005				2006				Quarter % Change	Year Ago % Change
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr		
Roseville	\$587,179 443	\$588,669 372	\$593,921 274	\$590,395 37	\$569,325 127	\$549,130 312	\$528,334 158	\$524,001 279	-0.8% 76.6%	-11.2% 654.1%
Rocklin	\$612,344 71	\$649,701 27	\$519,079 40	\$551,231 23	\$582,284 67	\$571,290 101	\$551,080 42	\$609,820 134	10.7% 219.0%	10.6% 482.6%
Lincoln	\$560,326 297	\$530,060 507	\$526,121 316	\$522,877 146	\$508,640 353	\$499,018 477	\$526,839 236	\$522,212 300	-0.9% 27.1%	-0.1% 105.5%
Placer County	\$576,611 838	\$565,308 925	\$555,583 640	\$554,967 206	\$543,442 551	\$540,036 894	\$538,094 435	\$538,805 720	0.1% 65.5%	-2.9% 249.5%

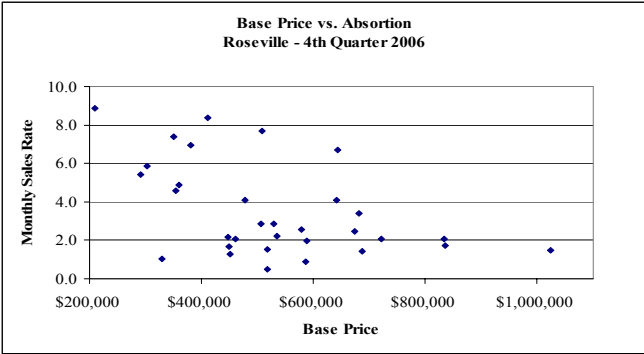
In an effort to attract prospective homebuyers, many homebuilders are now offering incentives such as cash contributions toward down payments and closing costs, swimming pools, home upgrades, cars and vacations. These incentives have been initiated to generate interest during the period moderating demand. Thus, in addition to decreases in overall base prices, incentives and concessions have increased during the same time period, effectively reducing base prices further. A chart summarizing pricing trends since the 1st Quarter of 2005 in Roseville is provided below.



With respect to absorption in the Sacramento region as a whole, sales of new and resale homes have generally declined since the Third Quarter of 2005. Market participants (home builders, brokers, etc.) attribute a portion of the decline to speculative investors canceling contracts. Additionally, the absorption figures for 2006 were lower compared to previous years. However, the residential market is not anticipated to remain in the current state of moderation over the long-term. As detailed in the table on the previous page, overall absorption figures increased from the 3rd Quarter 2006 to the 4th Quarter 2006 in all four markets surveyed, which is expected given decreasing prices and/or increasing incentives.

In considering the feasibility of a single-family subdivision on the subject property, reference is made to the *Housing Market Overview* section of this report. The subject's proximity to the employment sectors throughout the region has been beneficial for the numerous residential projects recently developed, and currently developing, in Roseville and neighboring areas of Rocklin and Lincoln. The demand for residential product proximate to employment centers and community amenities has led to increases in home prices over previous years. However, as noted, home prices are moderating in the current market environment, especially considering the incentives and concessions being offered by builders.

Upon examining the housing market in the subject's immediate area, current pricing and absorption rates suggest profit levels and rates of return that are still attractive to builders. The overall growth experienced over recent years has led to increases in home prices, making new housing increasingly more elusive to first-time homebuyers, resulting in an increased demand for medium to high-density, for sale, residential projects. In fact, some apartment complexes, including The Villas in Roseville – located adjacent to the subject property to the east – have undergone conversion into condominiums and are being sold as individual units. The Reserves at the Galleria, also located in Roseville, was originally intended for development as apartments but was converted to condominiums halfway through construction. The market generally exhibits an inverse relationship between pricing and absorption such that less expensive homes sell at a faster pace than more expensive homes, all else being equal. To illustrate this point, the following chart displays base pricing and absorption for each of the active projects in Roseville as of the 4th Quarter of 2006.



The subject property has entitlements for medium to high-density residential development. The target market of entry-level to median-income homebuyers is considered a stable sector of the residential housing market. While the residential market is currently in a state of moderation, the subject's overall risk is mitigated by the fact that there appears to be steady demand for homes and condominiums priced below \$450,000, a category the subject fits into given the physical attributes (e.g., typical lot size, configuration, layout). As such, residential development is deemed a financially feasible use of the subject property.

With respect to the commercial component of the subject property, net absorption statistics and current and historical vacancy statistics indicate that demand for retail properties should remain stable over the next several years. According to the CB Richard Ellis Market Review as of the Fourth Quarter of 2006, the Sacramento area had an overall retail vacancy rate of 6.2%. After staying below 5% for over two years (since the First Quarter of 2004), the overall market vacancy

rate reached 5.0% in Second Quarter 2006 and continued upward to 5.9% in Third Quarter 2006 and 6.2% in Fourth Quarter 2006. Market participants attribute the increased vacancy to a rise in new construction, coupled with several grocery store closures. In the subject's submarket (Roseville/Rocklin), the Fourth Quarter 2006 retail vacancy rate was slightly lower at 6.1%. Net absorption for the retail market in the Sacramento area was a positive 642,094 square feet during the Fourth Quarter of 2006, with the subject's submarket experiencing 52,406 square feet of positive net absorption during the same time period.

Generally speaking, net absorption year to date has been very strong for the Sacramento retail market. The region has continued to attract local, regional and national retailers responding to the population and housing boom of 2000 to 2005. Overall, investors see a strong long-term outlook for the Sacramento retail market, particularly in the growth area of Roseville/Rocklin.

The subject property benefits from its location in a good submarket where most similar properties receive adequate demand to support stabilized occupancy rates. Further, the subject property has good access to major arterials, including Blue Oaks Boulevard and State Highway 65. Considering the preceding factors, it is our opinion that retail development is a financially feasible use of the subject property, based on market rental rates, vacancy factors and historical/current net absorption within the area. The subject's proximity to new and proposed residential subdivisions in the area has led to a balanced market and the potential for increased development activity. The development of complementary commercial uses is an integral part of a well-balanced community.

Maximum Productivity – Conclusion

Legal, physical and market conditions have been analyzed to evaluate the highest and best use of the subject property. The analysis is presented to evaluate the type of use(s) that will generate the greatest level of future benefits possible to the property. Based on the factors previously discussed, residential and retail development are considered the maximally productive land uses that are legally permissible, physically possible and financially feasible. Therefore, considering the subject's specific characteristics, the highest and best use of the subject property – as vacant – is for mixed-use residential and commercial development in accordance with the underlying zoning ordinances, Development Agreement and entitlements.

APPROACHES TO VALUE

The valuation process is a systematic procedure employed to provide the answer to a client's question about the value of real property.⁷ This process involves the investigation, organization and analysis of pertinent market data and other related factors that affect the market value of real estate. The market data is analyzed in terms of any one or all of the three traditional approaches to estimating real estate value. These are the cost, sales comparison, and income capitalization approaches. In the valuation of the subject property, three additional approaches – the extraction technique, land residual analysis, and the subdivision development method – are also applicable. Each approach to value is briefly discussed and defined as follows:

Cost Approach

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

The definition of the cost approach is offered as follows:

A set of procedures through which a value indication is derived for the fee simple interest in a property by estimating the current cost to construct a reproduction of (or replacement for) the existing structure, including an entrepreneurial incentive, deducting depreciation from the total cost, and adding the estimated land value. Adjustments may then be made to the indicated fee simple value of the subject property to reflect the value of the property interest being appraised.⁸

Sales Comparison Approach

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

⁷ The Dictionary of Real Estate Appraisal, 4th ed. (Chicago: Appraisal Institute, 2002), 305.

⁸ The Dictionary of Real Estate Appraisal, 67.

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

A set of procedures in which a value indication is derived by comparing the property being appraised to similar properties that have been sold recently, then applying appropriate units of comparison and making adjustments to the sale prices of the comparables based on the elements of comparison. The sales comparison approach may be used to value improved properties, vacant land, or land being considered as though vacant; it is the most common and preferred method of land valuation when an adequate supply of comparable sales are available.⁹

Income Capitalization Approach

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

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

Direct capitalization is a method used to convert an estimate of a single year's income expectancy into an indication of value in one direct step, either by dividing the income estimate by an appropriate rate or by multiplying the income estimate by an appropriate factor.¹⁰

Yield capitalization is the capitalization method used to convert future benefits into present value by discounting each future benefit at an appropriate yield rate or by developing an overall rate that explicitly reflects the investment's income pattern, value change, and yield rate.¹¹

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

A set of procedures through which an appraiser derives a value indication for an income-producing property by converting its anticipated benefits (cash flows and reversion) into property value. This conversion can be accomplished in two ways. One year's income expectancy can be capitalized at a market-derived capitalization rate or at a capitalization rate that reflects a specified income pattern, return on investment, and change in the value of the investment. Alternatively, the annual cash flows for the holding period and the reversion can be discounted at a specified yield rate.¹²

Extraction Technique (Residual Analysis)

A method of estimating land value in which the depreciated cost of the improvements on the improved property is estimated and deducted from the total sale price to arrive at an estimated sale price for the land.¹³

Subdivision Development Method

A method of estimating land value when subdivision and development are the highest and best use of the parcel of land being appraised. All direct and indirect costs and entrepreneurial profit are deducted from an estimate of the anticipated gross sales; the resultant net sales proceeds are then discounted to present value at a market-derived rate over the development and absorption period to indicate the market value of property.¹⁴

⁹ The Dictionary of Real Estate Appraisal, 4th ed. (Chicago: Appraisal Institute, 2002), 255.

¹⁰ The Dictionary of Real Estate Appraisal, 88.

¹¹ The Dictionary of Real Estate Appraisal, 315.

¹² The Dictionary of Real Estate Appraisal, 143.

¹³ The Dictionary of Real Estate Appraisal, 4th ed. (Chicago: Appraisal Institute, 2002), 106.

¹⁴ The Dictionary of Real Estate Appraisal, 279.

APPRAISAL METHODOLOGY

We have been requested to provide an estimate of hypothetical market value of the subject property as of the date of inspection, assuming the completion of the improvements to be financed by the Diamond Creek Villages CFD No. 1 bond issuance (Series 2007 bonds). The subdivision development method to value (discounted cash flow analysis) will be relied upon in the analysis of the subject property. As a component of the subdivision development method, the sales comparison approach and extraction technique will be employed to derive separate estimates of revenue for the single-family residential and townhouse components. We will then utilize a land residual analysis to estimate the revenue for the 6.52-acre mixed-use site. This methodology considers the projected selling prices of the condominium units and retail buildings as improved, then reduces that value by the construction costs and developer's profit for the construction of the improvements. Additionally, this method takes into account projected sell-out of the condominiums and retail building, resulting in an estimate of residual value (revenue) for the land. Finally, the revenue indicators will be incorporated into a discounted cash flow analysis to arrive at our conclusion of hypothetical market value of the subject property.

This appraisal report has been conducted in accordance with appraisal standards and guidelines found in the Uniform Standards of Professional Appraisal Practice (USPAP) and the Appraisal Standards for Land Secured Financing published by the California Debt and Investment Advisory Commission (2004).

HYPOTHETICAL MARKET VALUATION

The hypothetical market value of the subject property, which includes single-family residential, townhouse, and mixed-use (condominium and retail) land uses, will be estimated in this section of the report. The valuation of the subject property represents the hypothetical market value, assuming the improvements to be financed by the Diamond Creek Villages CFD No. 1 bond issuance (Series 2007 bonds) are in place. The subdivision development method will be employed and is defined as follows:

SUBDIVISION DEVELOPMENT METHOD

A method of estimating land value when subdivision and development are the highest and best use of the parcel of land being appraised. All direct and indirect costs and entrepreneurial profit are deducted from an estimate of the anticipated gross sales price; the resultant net sales proceeds are then discounted to present value at a market-derived rate over the development and absorption period to indicate the market value of the property.¹⁵

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

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

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

REVENUE

The revenue will be generated by the sale of the subject's single-family residential, townhouse, and mixed-use components. In the following section, we begin by utilizing the sales comparison approach and extraction technique to estimate revenue for the single-family residential component. Subsequent sections will detail the revenue streams of the other components.

¹⁵ The Dictionary of Real Estate Appraisal, 4th ed. (Chicago: Appraisal Institute, 2002), 279.

Sales Comparison Approach – Single-Family Residential Component

In the sales comparison approach, the hypothetical market value of the single-family residential component of the subject property (131 lots) will be estimated by a comparison to similar properties that have sold, are listed for sale or are under contract. The underlying premise of the sales comparison approach is the market value of a property is directly related to the price of comparable, competitive properties in the marketplace.

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

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

After deriving a loaded lot indicator for the subject property from comparable sales data, the permits and fees for the subject property will be subtracted from the derived loaded lot indicator. While the subject’s lots are currently unimproved, the value estimate assumes completion of the improvements to be financed by the Diamond Creek Villages Community Facilities District No. 1 bond issuance (Series 2007 bonds). The construction fund proceeds will finance all site development associated with the single-family residential component; therefore, no deductions are made for site costs given the hypothetical valuation premise.

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

The survey of recent transactions revealed seven comparables in the subject’s market area and surrounding submarkets that are considered good indicators of hypothetical market value for the subject’s single-family residential component. The sales cover the period from December 2004 to September 2006 and range in quantity from 19 to 155 lots. The sales relied upon in this analysis are summarized in the table on the following page, along with a location map. Detailed sales sheets and an adjustment discussion follow the summary table.

COMPARABLE BULK LOT SALES

No.	Location	Sale Date	Sale Price	No. of Lots	\$/Lot	Costs to Complete*	Permits and Fees	PV of Bonds	Loaded Lot Value	Typical Lot Size
1	Portion of Parcel DC-31 (Subject Property) East of Diamond Creek Boulevard, north of Blue Oaks Boulevard Roseville	Sep-06 (Contract)	\$13,116,097	131	\$100,123	\$19,980	\$45,000	\$19,574	\$184,677	2,500
2	Laguna Ridge, Village 4 East side of Big Horn Boulevard, south of Elk Grove Boulevard Elk Grove	Jun-06	\$14,647,500	155	\$94,500	\$63,250	\$45,960	\$23,400	\$227,110	4,725
3	Estacio Estates South of Folsom Dam Road, east of Lakeside Way Folsom	Apr-06	\$2,285,000	19	\$120,263	\$71,500	\$19,052	\$0	\$210,815	3,050
4	The Parkway (portion) South of Blue Ravine Road, west of Natoma Street Folsom	Jul-05	\$22,500,000	137	\$164,234	\$68,200	\$30,000	\$4,818	\$267,251	3,200
5	Lincoln Crossing - Village 9A South of Ferrari Ranch Road, west of State Highway 65 Lincoln	May-05	\$13,200,000	96	\$137,500	\$29,700	\$14,000	\$31,384	\$212,584	5,500
6	Fiddymnt Ranch - Village F-3 North of Phillip Road, west of Bob Doyle Drive Roseville	Feb-05	\$22,005,000	135	\$163,000	\$20,379	\$43,000	\$17,894	\$244,273	4,725
7	Anatolia I - Lot 2 Along the north line of Herodian Drive, east of Anatolia Drive Rancho Cordova	Dec-04	\$11,000,000	121	\$90,909	\$30,843	\$47,183	\$15,692	\$184,627	3,182

* Inclusive of a 10% allocation for profit

COMPARABLE BULK LOT SALE 1 (SUBJECT PROPERTY)

Property Identification

Project Name	Parcel DC-31 (portion of)
Location	East side of Diamond Creek Boulevard, north of Blue Oaks Boulevard
City	Roseville
County	Placer

Sale Data

Grantor	Diamond Creek Partners, Ltd.
Grantee	Centex Homes
Contract Date	September 2006
Property Rights Conveyed	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	\$13,116,097
Annual Special Assessments per Lot	\$1,422

Land Data

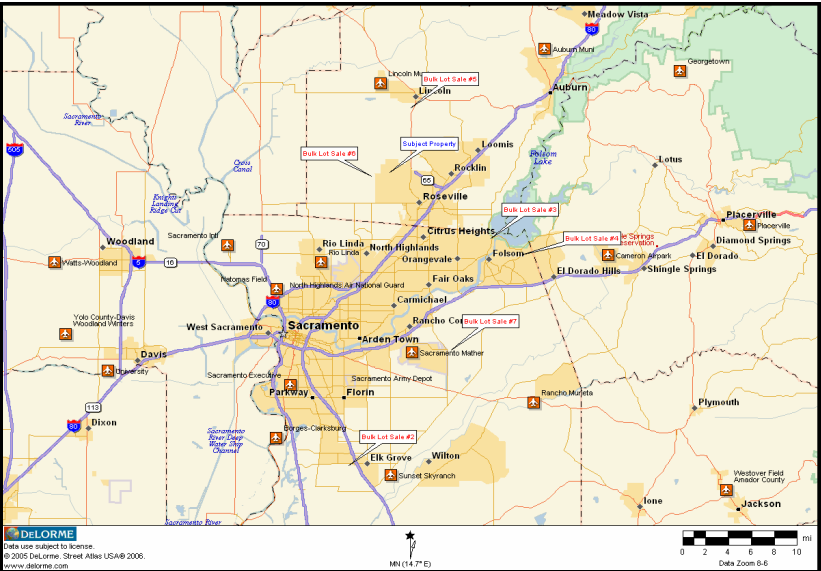
Zoning	RS/DS – Small Lot Residential
Topography	Generally level
Utilities	All Available
Number of Lots	131
Development Status at Sale	Unimproved Lots
Typical Lot Size (SF)	2,500

Indicators (Per Lot)

Sale Price	\$100,123
Site Development Costs	\$18,164
Developer's Incentive	<u>\$1,816</u>
Finished Lot Indicator	\$120,103
PV of Bonds	\$19,574
Permits and Fees	<u>\$45,000</u>
Loaded Lot Indicator	\$184,677

Remarks

The single-family residential component of the subject property went into contract in September 2006 to Centex Homes. The purchase price was determined based on a static residual analysis, and the contract has a clause that the final price can be adjusted upward if market conditions improve prior to the scheduled close date of April 2007.



COMPARABLE BULK LOT SALE 2**Property Identification**

Project Name	Laguna Ridge, Village 4
Location	East side of Big Horn Boulevard, south of Elk Grove Boulevard
City	Elk Grove
County	Sacramento

Sale Data

Grantor	Reynen & Bardis Communities
Grantee	MBK Homes
Contract Date	June 2006
Property Rights Conveyed	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	\$14,647,500
Annual Special Assessments per Lot	\$1,700

Land Data

Zoning	RD-7, Single-Family Residential
Topography	Level
Utilities	All Available
Number of Lots	155
Development Status at Sale	Unimproved Lots
Typical Lot Size (SF)	4,725

Indicators (Per Lot)

Sale Price	\$94,500
Site Development Costs	\$57,500
Developer's Incentive	<u>\$5,750</u>
Finished Lot Indicator	\$157,750
PV of Bonds	\$23,400
Permits and Fees	<u>\$45,960</u>
Loaded Lot Indicator	\$227,110

Remarks

This comparable represents the June 2006 sale of Village 4 within the Laguna Ridge master planned community in the city of Elk Grove. According to a representative of the buyer, the seller finished the lots under a separate contract. Escrow closed in November 2006.

COMPARABLE BULK LOT SALE 3**Property Identification**

Project Name	Estacio Estates
Location	South of Folsom Dam Road, east of Lakeside Way
City	Folsom
County	Sacramento

Sale Data

Grantor	Parkinson Trust
Grantee	Caramazza Development Company
Contract Date	April 2006
Property Rights Conveyed	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	\$2,285,000
Annual Special Assessments per Lot	\$0

Land Data

Zoning	R1-M-PD
Topography	Generally Level
Utilities	All Available
Number of Lots	19
Development Status at Sale	Unimproved Lots
Typical Lot Size (SF)	3,050

Indicators (Per Lot)

Sale Price	\$120,263
Site Development Costs	\$65,000
Developer's Incentive	<u>\$6,500</u>
Finished Lot Indicator	\$191,763
PV of Bonds	\$0
Permits and Fees	<u>\$19,052</u>
Loaded Lot Indicator	\$210,815

Remarks

Based on the developer's budget, the total costs to improve the lots equate to \$1,235,000 or approximately \$65,000 per lot. The costs appear reasonable considering the continual increases in development costs, as well as the fact that the budget includes off-site work related to roadway and sound wall improvements. Additionally, a portion of the impact fees (\$228,000) is payable at final map recordation and is included in the site development budget. The approved lot sizes range from 2,614 to 5,576 square feet, with a typical lot size of 3,050 square feet. It is noted that there are power lines over the western portion of the parcel; however, the power lines are situated above open space.

COMPARABLE BULK LOT SALE 4**Property Identification**

Project Name	The Parkway (portion)
Location	South of Blue Ravine Road, west of Natoma Street
City	Folsom
County	Sacramento

Sale Data

Grantor	Parkway South, Inc.
Grantee	John Laing Homes
Sale Date	July 2005
Property Rights Conveyed	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	\$22,500,000
Annual Special Assessments per Lot	\$350

Land Data

Zoning	Residential
Topography	Level to Rolling
Utilities	All Required
Number of Lots	137
Development Status at Sale	Unimproved Lots
Typical Lot Size (SF)	3,200

Indicators (Per Lot)

Sale Price	\$164,234
Site Development Costs	\$62,000
Developer's Incentive	<u>\$6,200</u>
Finished Lot Indicator	\$232,434
PV of Bonds	\$4,818
Permits and Fees	<u>\$30,000</u>
Loaded Lot Indicator	\$267,251

Remarks

This comparable represents the transfer of 137 unimproved lots located within The Parkway master planned community in Folsom. Primary infrastructure was in place at time of sale, with in-tracts to be completed by the buyer. The site development costs noted above include fees due at final map. The property abuts open space and, as a result, has significant lot premiums.

COMPARABLE BULK LOT SALE 5**Property Identification**

Project Name	Lincoln Crossing - Village 9A
Location	South of Ferrari Ranch Road, west of State Highway 65
City	Lincoln
County	Placer

Sale Data

Grantor	Suncal Development
Grantee	Lennar Communities
Sale Date	May 2005
Property Rights Conveyed	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	\$13,200,000
Annual Special Assessments per Lot	\$2,280

Land Data

Zoning	Residential
Topography	Level
Utilities	All Available
Number of Lots	96
Development Status at Sale	Unimproved Lots
Typical Lot Size (SF)	5,500

Indicators (Per Lot)

Sale Price	\$137,500
Site Development Costs	\$27,000
Developer's Incentive	<u>\$2,700</u>
Finished Lot Indicator	\$167,200
PV of Bonds	\$31,384
Permits and Fees	<u>\$14,000</u>
Loaded Lot Indicator	\$212,584

Remarks

This comparable represents the May 2005 sale of Village 9A within the Lincoln Crossing master planned community. The tract is located in Phase III of Lincoln Crossing. There is an annual special assessment in the amount of \$2,280 per lot.

COMPARABLE BULK LOT SALE 6**Property Identification**

Project Name	Fiddymment Ranch, Village F-3
Location	North of Phillip Road, west of Bob Doyle Drive
City	Roseville
County	Placer

Sale Data

Grantor	Roseville Fiddymment Land Venture, LLC
Grantee	KB Home
Sale Date	February 2005
Property Rights Conveyed	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	\$22,005,000
Annual Special Assessments per Lot	\$1,300

Land Data

Zoning	Single-family Residential
Topography	Generally Level
Utilities	All Available
Number of Lots	135
Development Status at Sale	Partially Improved Lots
Typical Lot Size (SF)	4,725

Indicators (Per Lot)

Sale Price	\$163,000
Site Development Costs	\$18,526
Developer's Incentive	<u>\$1,853</u>
Finished Lot Indicator	\$183,379
PV of Bonds	\$17,894
Permits and Fees	<u>\$43,000</u>
Loaded Lot Indicator	\$244,273

Remarks

In February 2005, KB Home entered into contract with Signature Properties to purchase the 135 lots representing Village F-3 of the Fiddymment Ranch master planned community, located in West Roseville. The purchase price was \$163,000 per blue-top lot, which is representative of a partially improved lot with grading and rough cuts for the streets in place. Escrow closed in July 2005.

COMPARABLE BULK LOT SALE 7**Property Identification**

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

Sale Data

Grantor	Tsakopoulos/AKT Development
Grantee	Cambridge Homes
Contract Date	December 2004
Property Rights Conveyed	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	\$11,000,000
Annual Special Assessments per Lot	\$1,140

Land Data

Zoning	RD-10, Residential
Topography	Generally Level
Utilities	All Available
Number of Lots	121
Development Status at Sale	Unimproved Lots
Typical Lot Size (SF)	3,182

Indicators (Per Lot)

Sale Price	\$90,909
Site Development Costs	\$28,039
Developer's Incentive	<u>\$2,804</u>
Finished Lot Indicator	\$121,752
PV of Bonds	\$15,692
Permits and Fees	<u>\$47,183</u>
Loaded Lot Indicator	\$184,627

Remarks

This comparable represents the sale of a cluster housing subdivision within the Anatolia master planned community in Rancho Cordova. The buyer was responsible for all site development work.

Adjustments

Many merchant builders compare properties based on a finished lot basis. However, two similar properties may possess different finished lot prices because of differing permits and fees. Properties possessing a lower permit and fee schedule relative to other properties will have a higher finished lot price, all else being equal. Thus, in the following analysis, we analyze sales comparables on a *loaded lot* basis. Loaded lot values incorporate the unimproved lot price, site development costs and permits and fees, plus any differences relating to bonds. These items are discussed in the following paragraphs.

Site Development Costs

All of the sales represent unimproved lot transactions and, as such, site development costs are added to equate the comparables to finished lots for comparison purposes. In order to account for the profit associated with improving the lots, a profit allocation in the amount of 10% of the site development costs is also incorporated.

Permits and Fees (Impact Fees)

The permits and fees are applied on a dollar-for-dollar basis. After the conclusion of loaded lot value (with permits and fees paid), we then subtract the amount of the subject's permits and fees to arrive at our estimate of revenue.

Bonds and Assessments

Mello-Roos districts encumber several of the comparables utilized for this analysis, as well as the subject property. The comparables are adjusted based on the impact of bond indebtedness on value (included in the loaded lot indicators). The adjustment is derived by calculating a present value amount for the bond encumbrance based on the annual assessment payment, an interest rate of 6.0% and a 30-year maturity period.

Additional Adjustments

The comparable transactions are adjusted based on the profile of the subject property with regard to categories that affect market value. If a comparable has an attribute considered superior to that of the subject, it is adjusted downward to negate the effect the item has on the price of the comparable. The opposite is true of categories considered inferior to the subject.

Percentage or dollar adjustments are considered appropriate in order to isolate and quantify the adjustments on the comparable sales data. At a minimum, the appraiser considers the need to make adjustments for the following items:

- Property rights conveyed
- Financing terms
- Conditions of sale (motivation)
- Expenditures after sale
- Market conditions (time)
- Physical features

A paired sales analysis is performed in a meaningful way when the quantity and quality of data are available. However, many of the adjustments require the appraiser's experience and knowledge of the market and information obtained from those knowledgeable and active in the marketplace. A detailed analysis involving each of these factors is presented below.

Property Rights Conveyed

In transactions of real property, the rights being conveyed vary widely and have a significant impact on the sales price. The opinion of value in this report is based on a fee simple estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat, as well as non-detrimental easements, community facility districts and conditions, covenants and restrictions (CC&Rs). All the comparables represent fee simple estate transactions. Therefore, adjustments for property rights are not necessary.

Financing Terms

In analyzing the comparables, it is necessary to adjust for financing terms that differ from market terms. Typically, if the buyer retained third party financing (other than the seller) for the purpose of purchasing the property, a cash price is presumed and no adjustment is required. However, in instances where the seller provides financing as a debt instrument, a premium may have been paid by the buyer for below market financing terms or a discount may have been demanded by the buyer if the financing terms were above market. The premium or discounted price must then be adjusted to a cash equivalent basis. The comparable sales were cash to the seller transactions and, therefore, do not require adjustments.

Conditions of Sale

Adverse conditions of sale can account for a significant discrepancy from the sales price actually paid compared to that of the market. This discrepancy in price is generally attributed to the motivations of the buyer and the seller. Certain conditions of sale are considered to be non-market and may include the following:

- a seller acting under duress,
- a lack of exposure to the open market,
- an inter-family or inter-business transaction for the sake of family or business interest,

- an unusual tax consideration,
- a premium paid for site assemblage,
- a sale at legal auction, or
- an eminent domain proceeding.

All of the comparable transactions were arms-length market transactions and do not require a condition of sale adjustment.

Expenditures After Sale

This category includes all costs required after the transaction. Other than site development costs, which have already been accounted for, none of the comparables have expenditures after sale. Thus, no adjustments are necessary in this category.

Market Conditions (Time)

Market conditions generally change over time, but the date of this appraisal is for a specific point in time. Therefore, in an unstable economy, one that is undergoing changes in the value of the dollar, interest rates and economic growth or decline, extra attention needs to be paid to assess changing market conditions. Significant monthly changes in price levels can occur in several areas of a municipality, while prices in other areas remain relatively stable. Although the adjustment for market conditions is often referred to as a time adjustment, time is not the cause of the adjustment.

In evaluating market conditions, changes between the sale dates and the effective date of this appraisal may warrant adjustment; however, if market conditions have not changed, then no time adjustment is required. Market conditions in the subject's market area have steadily improved over the past several years, but the residential sector appears to be stabilizing or moderating in the current market environment. The following table details the average new home pricing within Roseville and several other neighboring submarkets over the past two years, as reported by The Gregory Group.

City/Community (Average Price/ Quarter Sales)	2005				2006				Quarter % Change	Year Ago % Change
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr		
Roseville	\$587,179 443	\$588,669 372	\$593,921 274	\$590,395 37	\$569,325 127	\$549,130 312	\$528,334 158	\$524,001 279	-0.8% 76.6%	-11.2% 654.1%
Rocklin	\$612,344 71	\$649,701 27	\$519,079 40	\$551,231 23	\$582,284 67	\$571,290 101	\$551,080 42	\$609,820 134	10.7% 219.0%	10.6% 482.6%
Lincoln	\$560,326 297	\$530,060 507	\$526,121 316	\$522,877 146	\$508,640 353	\$499,018 477	\$526,839 236	\$522,212 300	-0.9% 27.1%	-0.1% 105.5%
Placer County	\$576,761 838	\$565,308 925	\$555,583 640	\$554,967 206	\$543,442 551	\$540,036 894	\$538,094 435	\$538,805 720	0.1% 65.5%	-2.9% 249.5%

In an effort to attract prospective homebuyers, many homebuilders are now offering incentives such as cash contributions toward down payments and closing costs, swimming pools, home upgrades, cars and vacations. These incentives have been initiated to generate interest during the period of moderating demand. Thus, in addition to decreases in overall base prices, incentives and concessions have increased during the same time period, effectively reducing base prices further. Furthermore, current absorption rates are significantly lower compared to a year ago.

To reflect the moderation and/or stabilization in the residential market, Comparable #3, which represents a 3rd Quarter 2005 sale, is adjusted downward. Comparables #4 through #7 represent late-2004 to early-2005 transactions, prior to the peak experienced in late-2005. As such, no adjustments are applied to these sales. Finally, Comparables #1 through #3 were negotiated during the current contracting real estate cycle, and no adjustments are considered necessary.

Physical Characteristics

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

Location

The subject property is located within the city of Roseville and is considered to have a good overall location. Comparable #5 is located within the city of Lincoln and is deemed to have an inferior overall location with respect to surrounding land uses, desirability, property values, etc. As such, an upward adjustment is warranted to this comparable for location. The balance of the comparables generally has the same overall desirability to the most probable buyer or user. No additional adjustments are deemed necessary in this category.

Community Appeal

Comparable #3 represents a 19-lot infill subdivision. The community appeal associated with this sale is judged to be inferior to the subject property, warranting an upward adjustment. No other adjustments are required for community appeal.

Number of Lots

Generally, there is an inverse relationship between the number of lots and price per lot such that projects (or phases) with a greater number of lots sell for a lower price per lot compared to projects (or phases) with a fewer number of lots due to the discounting associated with larger transactions. With 19 lots, the lot count for Comparable #3 is significantly lower than the subject property, requiring a downward adjustment. None of the other comparables have a lot count that differs enough from the subject to warrant an adjustment.

Lot Sizes

In the analysis, the sales require upward adjustments for inferior (smaller) lot sizes and downward adjustments for superior (larger) lot sizes compared to the subject's 2,500 square foot typical lot size. The degree of adjustment is dependent on the size disparity between the comparables and the subject's typical lot.

Site Utility

The single-family residential component of the subject property consists of a cluster housing project, in which the lots will correspond to the footprint of each residence, along with an enclosed patio area. Additionally, the subject's proposed units will have shared common areas, including driveways, landscaping, and parks, all of which will be owned and maintained by a Homeowner's Association (HOA). The overall site utility of Comparables #2, #3, #5 and #6 is deemed superior to the subject property, given that these subdivisions are representative of typical detached projects. Comparables #1, #4 and #7 also consist of medium density and/or cluster housing developments; therefore, no adjustments are applied to these sales for site utility.

Lot Premiums and Discounts

This analysis is concerned with the hypothetical market value of the subject property in bulk. As such, premiums that would be achieved on an individual retail basis have been considered based upon their influence of the value of the property in bulk. Comparable #3 offers superior premiums due to positioning contiguous to open space. As such, this sale is adjusted downward for this amenity. No other adjustments are necessary for differences in lot premiums.

Zoning

Similar to the subject property, all of the sales are designated for single-family residential development; no adjustments are necessary.

Loaded Lot Indicator – Sales Comparison Approach

In comparison to the subject property, the data set required adjustments for discrepancies in site development costs, permits and fees, special assessments, market conditions, and physical characteristics. While sales of new homes throughout Roseville have improved significantly over the past several years, the residential sector is experiencing moderation with respect to pricing and absorption in the current market environment. Utilizing the indications of the data set, and considering the similarities and dissimilarities between the comparables and the subject, an indicator of **\$185,000** per loaded lot is concluded via the sales comparison approach. The estimate of hypothetical market value is inclusive of permits and fees and bonds (present value).

Residual Analysis (Extraction Technique)

As a supporting indication of hypothetical loaded lot value, we will utilize the extraction technique. The extraction technique considers the likely selling prices of homes to be offered at the subject development and then reduces that value by the direct costs, indirect costs and developer's profit for the construction of a home. The result of this analysis represents an estimate of the residual lot value for a loaded lot.

Based on the profile of the area residential market, and considering the approved lot sizes, the subject property could be developed with a range of new homes that would target the entry-level to median-income buyer segments of the new home market.

Typical Home Price

Using the subject's standard lot size (2,500 square feet), the typical home price is estimated based on comparable subdivisions in the subject's market area. The following table details all of the active detached residential subdivisions within the city of Roseville, as reported by The Gregory Group Housing Report (4th Quarter 2006). The survey excludes all attached housing developments, such as townhouses and condominiums.

Project	Builder	Planned Units	No. of Units Sold	Lot Size (SF)	Total Monthly Sales Rate	Average Floor Plan (SF)	Average Base Price
Canyon View at Stoneridge	Elliott Homes	482	446	6,500	6.68	2,681	\$644,093
Briarwood at Stoneridge	Elliott Homes	224	204	10,000	3.40	2,814	\$680,825
Sevilla at Crocker Ranch	JMC Homes	177	175	4,500	4.07	2,026	\$476,990
Morgan Greens	JMC Homes	117	98	9,900	2.45	3,525	\$673,323
Riviera	JMC Homes	110	102	6,000	2.55	2,388	\$578,561
Casa Bella	JMC Homes	210	74	6,600	1.95	2,982	\$588,323
The Estates at Morgan Creek	JMC Homes	94	59	22,000	1.48	3,874	\$1,023,990
Vianza	JMC Homes	71	54	10,000	1.71	3,277	\$835,990
Waterstone	Lakemont Homes	82	60	20,000	2.05	3,342	\$834,067
Centro Vita	Parkland Homes	56	56	4,500	2.23	2,458	\$534,667
Legacy at Doyle Ranch	Pulte Homes	126	126	11,000	4.10	3,523	\$642,323
Parkside Estates	JMC Homes	35	16	6,500	0.87	2,982	\$586,657
Vista Oaks	Parkland Homes	42	41	7,956	2.05	2,869	\$721,556
Longmeadow - The Premier Series	JMC Homes	400	136	3,000	8.35	1,465	\$411,240
Altezza at Woodcreek	Tim Lewis Communities	85	23	4,704	2.15	1,986	\$447,067
Legacy at Junction Blvd	D.R. Horton	71	63	4,000	6.95	1,698	\$380,157
Villemont	Tim Lewis Communities	248	53	3,000	4.56	1,347	\$353,990
Willow Creek	Standard Pacific	76	15	21,780	1.43	3,949	\$686,500
The Estates at Amberley Place	Pulte Homes	111	26	7,150	2.87	2,842	\$529,490
The Classics at Amberley Place	Pulte Homes	102	15	5,775	1.65	2,280	\$448,740
Strada	John Laing Homes	242	208	2,200	7.39	1,357	\$349,657
Mira Bella at Crocker Ranch	JMC Homes	161	9	4,950	1.29	2,267	\$451,419
The Orchards at Fiddymont Farm	Morrison Homes	83	4	6,600	0.48	2,836	\$517,325
Longmeadow - The Executive Series	JMC Homes	144	18	6,050	2.87	2,571	\$507,133
The Club at WestPark	Del Webb	704	66	2,925	7.67	2,186	\$508,047
Avonlea	Centex Homes	98	11	5,250	2.06	2,490	\$461,190
Shadow Creek at Fiddymont Farm	Shea Homes	93	6	6,000	1.52	3,078	\$517,900
Meadow Gate	Centex Homes	147	5	7,035	1.13	2,452	\$486,704
Victoria Station	Church Street Station LLC	48	3	2,960	0.99	1,464	\$360,000
Wayfarer at WestPark	Lennar Communities	77	5	9,000	2.39	3,397	\$573,950
Laureate at WestPark	Lennar Communities	88	8	7,350	4.91	3,551	\$610,150
Ironcrest at Fiddymont	Lennar Communities	75	3	7,350	3.23	2,897	\$537,783
Eskaton Village - Roseville	Lakemont Homes	289	8	4,000	6.88	1,439	\$437,490

Based on the type of product currently being offered in the Roseville market, and given the specifics of the subject property, we have estimated a hypothetical average floor plan of 1,500 square feet. Of the active developments, the Longmeadow and Villemont subdivisions are considered most comparable/competitive with the subject. The Longmeadow development consists of a 400-lot project located approximately one mile east of the subject along Blue Oaks Boulevard. Given the location, Longmeadow is considered a good indicator of pricing and absorption for the subject property. However, the typical lot size is larger within this development. As such, we would expect a lower overall base price for the subject when compared to Longmeadow. Villemont represents a cluster housing development located southeast of the subject property, along Pleasant Grove Boulevard. There are 248 planned units within Villemont, and the average base price is \$353,990 (1,347 sf floor plan).

The average base price is estimated based on an examination of the base prices in relation to living area for comparable homes. Considering these factors, an average base price of \$390,000 is concluded for the hypothetical 1,500 square foot floor plan. This typical floor plan will serve as the basis for the extraction technique.

Present Value of Bonds

The subject is encumbered by the Diamond Creek Villages Community Facilities District (CFD) No. 1 bond, which has a maximum annual special tax of \$1,422 per unit for the single-family residential component. The hypothetical floor plan is adjusted to account for the impact of bond indebtedness on value. We have established a present value amount for the bond encumbrance based on the annual assessment payment, an interest rate of 6.0% and the 30-year maturity period. The adjustment equates to \$19,575, rounded.

Construction Costs

Construction costs typically include both direct and indirect construction costs. Direct construction costs include all expenditures for the labor and materials needed in the actual construction of the units. Indirect construction items typically include site supervision, field office, maintenance and security, plan check fees, architecture and engineering. Comparable projects were surveyed in an effort to estimate direct construction costs. The table on the following page details cost estimates reported from other projects within Roseville and Rocklin.

Project Location	Effective Date	Floor Plan (SF)	Direct Costs per SF
Rocklin	2006	2,952	\$75.00
		3,090	\$73.00
		3,339	\$72.00
		3,910	\$70.00
Roseville	2006	1,474	\$72.91
		1,842	\$63.96
		2,003	\$66.94
		2,284	\$61.81
		2,595	\$61.00
		2,606	\$57.91
Roseville	2006	3,071	\$56.11
		1,223	\$88.34
		1,373	\$78.12
		1,577	\$73.66
Roseville (Cluster Housing)	2005	1,645	\$76.74
		1,142	\$82.67
		1,233	\$75.45
		1,376	\$70.75
Roseville	2005	1,639	\$66.01
		2,462	\$68.52 - \$72.47
		2,780	\$73.73 - \$76.23
		3,059	\$61.88 - \$64.68
		3,576	\$60.26 - \$63.37
		4,651	\$60.58 - \$63.24

Analyzing the cost comparables presented, average direct costs in the amount of \$75 per square foot are estimated for the subject property. As further support, we analyzed data contained in the Residential Cost Handbook, published by the Marshall and Swift Corporation. Based on that comparison, the direct cost estimate appears reasonable.

The following list itemizes some of the typical components that generally comprise indirect costs:

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

Conversations with homebuilders indicate the indirect costs generally range anywhere from 5% to 15% of the direct costs. However, the indirects are exclusive of the carrying costs associated with the sell-out of the development. The extraction technique is a static analysis, and in order to account for these additional carrying costs, a factor of 30% of direct costs will be utilized to account for the indirect items.

General and Administrative

General and administrative expenses consist of management fees, liability and fire insurance, inspection fees, appraisal fees, legal and accounting fees, and copying or publication costs. This expense category typically ranges from 2.5% to 4.0% of revenue, depending on the specifics of the development. Based on industry surveys, we have used 3.0% for general and administrative expenses.

Marketing and Sales

These expenses typically consist of advertising and promotion, closing costs, sales operations, and sales commissions. The expenses are expressed as a percentage of the gross sales revenue. The range of marketing and sales expenses typically found in projects within the subject’s market area is 5.0% to 6.5%. Considering the specifics of the subject property, a figure of 5.0%, or 3.0% for marketing and 2.0% for sales, is used in the marketing and sales expense category.

Developer’s Overhead and Profit

Profit is based on the perceived risk associated with the development. Under the existing market conditions, low profit expectations are the result of the market’s focus on more affordable projects with faster sales rates. Higher profit expectations are common in projects with more risk, such as developments where sales rates are slower, project size produces an extended holding period or the product type is considered weak or untested.

Elements affecting profit include location, supply/demand, anticipated risk, construction time frame and project type. Another element considered in profit expectations is for the development stage of a project. First phases typically generate a lower profit margin due to cautious or conservative pricing, as new subdivisions in competitive areas must become established to generate a fair market share. Additionally, up front development costs on first phases can produce lower profit margins.

Developer surveys conducted during the current real estate cycle elicited the following responses:

- John Bacigalupi of Beazer Homes indicated the static profit expectation was 20% during the period of rapid expansion (2000-2005), but it is now 10% to 15% given the recent moderation/stabilization in the residential market.
- Mike Grant of Premier Homes – IRRs are generally between 15-20%, and static profits generally around 12%. Most properties purchased by Premier Homes are unimproved with entitlements in place and ready for development.
- John Johnson of Pulte Homes indicated they used a 7% static profit for starter homes in affordable markets but quickly moved into higher ranges for areas with entitlement risk.
- Michael Courtney of Standard Pacific indicated 8% static profits were tolerable for starter homes and a 10% figure would be required for high-end homes, even for fast moving markets and product types.
- Beck Properties indicated a total profit margin of 10.4% to 11.7% calculated as gross sales less project costs for several products in the community of Brentwood.
- A source at Lennar, who requested anonymity, indicated standard subdivision static profits are in the 8% range for strong selling products in accepted, non-pioneering locations. IRR’s are commonly as low as the low 20% range in the absence of price trending.

Based on current market conditions in the subject’s market area and the responses provided in the developer survey, a profit margin of 10% of the indicated sale price is considered reasonable for the hypothetical 1,500 square foot plan.

Conclusion – Residual Analysis

The residual analysis, based upon the cited factors, is presented below. As discussed under the *Highest and Best Use*, the subject development is considered most profitable as a new home production subdivision targeted towards entry-level to median-income homebuyers. The extraction technique is similar to an analysis performed by a merchant builder and does not require an absorption analysis or any further discounting.

Living Area (SF)	1,500
Sale Price	\$390,000
Special Tax	\$19,615
Total Consideration	\$409,615
Less:	
Direct costs of construction (\$75 per sf)	(\$112,500)
Indirect costs (inclusive of carrying costs during sell-out)	(\$33,750)
General and administrative (3% of sales price)	(\$11,700)
Sales and marketing (5% of sales price)	(\$19,500)
Developer's profit	(\$39,000)
Loaded Lot Value	\$193,165
Rounded	\$193,000

Reconciliation of Loaded Lot Value

The value estimates derived for the subject’s single-family residential component are presented below:

Sales Comparison Approach	\$185,000/lot
Extraction Technique	\$193,000/lot

Generally, the sales comparison approach is deemed the best overall method in the valuation of vacant land. The extraction technique was employed as the supporting indication of value. Under this premise, the land value of the subject property is derived as a remainder amount based on the most likely end product. As illustrated above, the value indicator derived via the extraction technique is reasonably similar to the value concluded via the sales comparison approach. Considering the information cited above, we have concluded a hypothetical loaded lot value of **\$185,000 per lot** for the subject property, consistent with the indication given by the sales comparison approach.

Conclusion of Revenue – Single-Family Residential Component

In order to estimate the total revenue for the subject’s single-family residential component, deductions are required for permits and fees. The subject’s permits and fees pertaining to home construction costs average approximately \$45,000 per unit, which is similar in comparison to competing projects located throughout the market area. Typically, a deduction would also be required for site development costs in the estimate of revenue, since the subject’s lots are unimproved. However, the value estimate assumes completion of the improvements to be financed by the Diamond Creek Villages Community Facilities District No. 1 bond issuance (Series 2007 bonds), and the construction fund proceeds will finance all site development associated with the single-family residential component. Therefore, no deductions are made for site costs given the hypothetical valuation premise. After deducting permits and fees of \$45,000 per unit, the conclusion of revenue for the single-family residential component of the subject property is **\$18,340,000** (\$140,000 per lot x 131 lots).

Sales Comparison Approach – Townhouse Residential Component

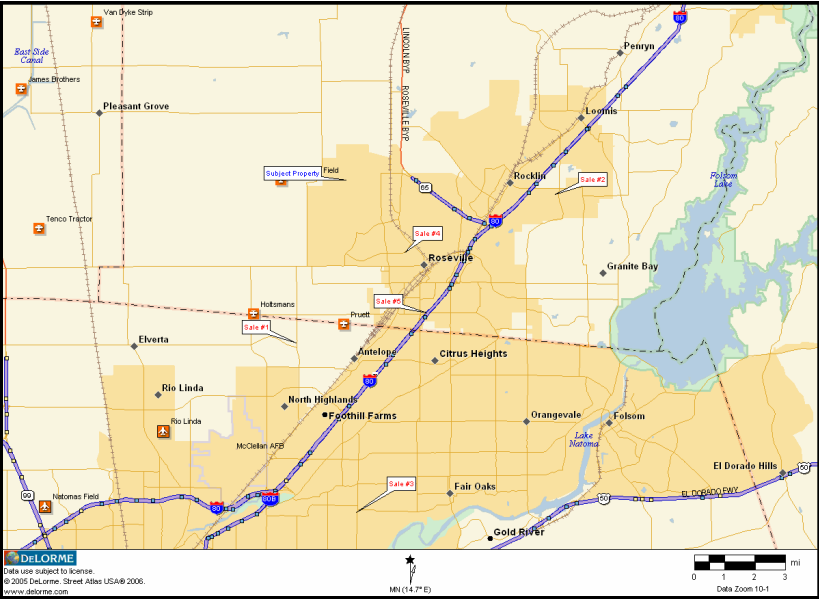
In this section, we will estimate the hypothetical market value of the subject’s townhouse revenue component, which consists of eight lots situated on 0.75 acres, indicating a density of 10.67 units per acre. The sales comparison approach will be employed to analyze several medium to high-density residential land transactions throughout the Sacramento region that have entitlements for either townhouse or condominium development. Due to the fact that the subject property represents vacant land, the cost and income capitalization approaches are not applicable.

Under the sales comparison approach, consideration is given to factors such as property rights conveyed, financing, conditions of sale and market appreciation or depreciation since the date of sale. Differences in physical characteristics, such as location, parcel area, shape, topography, onsite and offsite improvements, utilities and zoning, are also considered in the analysis. The basis of comparison is price per developable unit.

In the analysis that follows, we will present and analyze five comparable sales. We will begin by presenting a summary tabulation on the following page, along with a location map. Detailed sales sheets are presented after the summary table, followed by a discussion that leads to our conclusion of revenue for this component.

MEDIUM TO HIGH-DENSITY RESIDENTIAL LAND SALES

Comp. No.	Property Identification	Sale Date	Sale Price	Land Area (Acres)	Proposed Units	Density (Units/Acre)	Total Consid. Price/Unit	Intended Use
			+ PV Bonds Total Consid.					
1	1 Skyland Court Antelope APN: 203-0070-138	Jan-07	\$1,700,000 \$0 \$1,700,000	1.99	23	11.56	\$73,913	Townhomes
2	East of Ambassador Dr., north of El Don Blvd. Rocklin APN: 045-160-018	Aug-06	\$799,950 \$0 \$799,950	0.70	10	14.39	\$79,995	Condos
3	West of Manzanita Ave., north of Gibbons Dr. Carmichael APNs: 258-0310-005, -015, and -018	Dec-05	\$4,480,000 \$0 \$4,480,000	4.19	56	13.37	\$80,000	Condos
4	SEC of Junction Boulevard and Barbara Way Roseville APNs: 011-250-066; 011-260-084, and -085	Mar-05	\$5,700,000 \$57,886 \$5,757,886	4.79	103	21.50	\$55,902	Condos
5	Cirby Hills Roseville APN: 472-370-028	Listing	\$2,100,000 \$0 \$2,100,000	2.10	23	10.95	\$91,304	Condos



Property Identification:
Townhouse Land

1 Skyland Court
Antelope
Sacramento County

APN: 203-0070-138

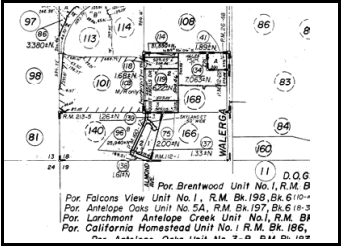
Sale Data:
Grantor
Grantee
Sale Date
Deed Book Page
Property Rights
Conditions of Sale
Financing Terms
Sale Price
Present Value of Bonds

Land Data:
Land Area (SF)
Land Area (Acres)
Zoning Code
Shape
Street Frontage
Topography
Off-Site Improvements
On-Site Improvements
No. of Units
Density

Indicators:
Sale Price per Developable Unit
PV Bonds per Developable Unit

Remarks:
This comparable represents the pending sale of 23 townhouse lots located in the unincorporated community of Antelope, situated southwest of Roseville. The overall location of this property is considered to be inferior to the subject property. The development is identified as Tierra Del Sol.

LAND SALE 1



Thunder Development, Inc.
Undisclosed
January 19, 2007
N/Av (Pending Sale)
Fee Simple
Market
Cash Equivalent
\$1,700,000
\$0

86,684

1.99

RD-20

Irregular

Along Skyland Court

Generally Level

All to Site

None

23

11.56

\$73,913

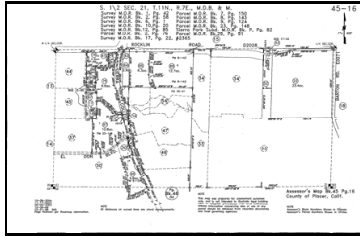
\$0

Property Identification:
Condominium Land

East of Ambassador Drive, north of
El Don Boulevard
Rocklin
Placer County

APN: 045-160-018

LAND SALE 2



Sale Data:

Grantor	Dave Hood and Stephen Maki
Grantee	Undisclosed
Sale Date	August 7, 2006
Deed Book Page	N/Av (Pending Sale)
Property Rights	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	\$799,950
Present Value of Bonds	\$0

Land Data:

Land Area (SF)	30,274
Land Area (Acres)	0.70
Zoning Code	PD-14
Shape	Rectangular
Street Frontage	Along Ambassador Drive
Topography	Generally Level
Off-Site Improvements	All to Site
On-Site Improvements	None
No. of Units	10
Density	14.39

Indicators:

Sale Price per Developable Unit	\$79,995
PV Bonds per Developable Unit	\$0

Remarks:

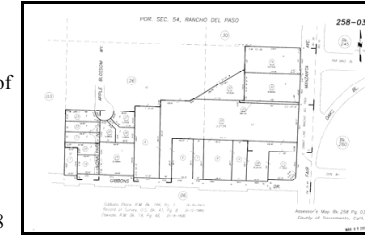
This comparable is located in the city of Rocklin, which is adjacent to Roseville. The 30,274 square foot site is planned for the development of 10 condominium units, indicating a density of 14.39 units per acre.

Property Identification:
Condominium Land

West of Manzanita Avenue, north of
Gibbons Drive
Carmichael
Sacramento County

APN: 258-0310-005, -015 and -018

LAND SALE 3



Sale Data:

Grantor	Tsakapoulos Family Trust
Grantee	Sixells, LLC
Sale Date	December 8, 2005
Deed Book Page	51208-1641
Property Rights	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	\$4,480,000
Present Value of Bonds	\$0

Land Data:

Land Area (SF)	182,516
Land Area (Acres)	4.19
Zoning Code	SC
Shape	Irregular
Street Frontage	Along Manzanita Avenue
Topography	Generally Level
Off-Site Improvements	All to Site
On-Site Improvements	None
No. of Units	56
Density	13.37

Indicators:

Sale Price per Developable Unit	\$80,000
PV Bonds per Developable Unit	\$0

Remarks:

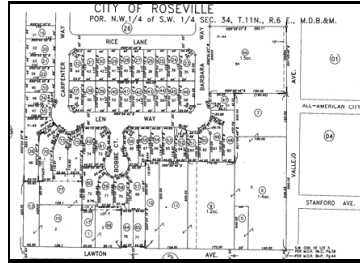
After the sale, the three parcels identified above were assembled. The site is planned for the construction of a 56-unit condominium project. Although the property is zoned SC – Shopping Center, a Conditional Use Permit and entitlements were approved for the development of the property as planned.

Property Identification:
Condominium Land

Southeast corner of Junction
Boulevard and Barbara Way
Roseville
Placer County

Map Grid: 219-G7
APN: 011-250-066; 011-260-084
and -085

LAND SALE 4



Sale Data:

Grantor	City Developers Corporation
Grantee	Cresleigh Homes Corporation
Sale Date	March 2005
Deed Book Page	151434
Property Rights	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	\$5,700,000
Present Value of Bonds	\$57,886

Land Data:

Land Area (SF)	208,652
Land Area (Acres)	4.79
Zoning Code	R3
Shape	Irregular
Street Frontage	Along Junction Boulevard
Topography	Generally Level
Off-Site Improvements	All to Site
On-Site Improvements	None
No. of Units	103
Density	21.50

Indicators:

Sale Price per Developable Unit	\$55,340
PV Bonds per Developable Unit	\$562

Remarks:

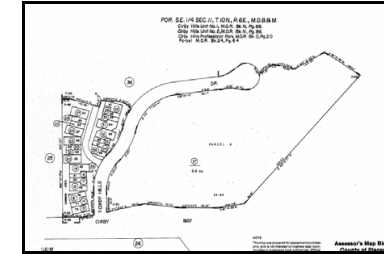
The purchase price was \$5,700,000, which equates to \$55,340 per unit based on the approved tentative map for development of 103 units. Escrow closed in May 2005.

Property Identification:
Condominium Land

North/Northeast of Interstate 80,
north of Cirby Way
Roseville
Placer County

APN: 472-370-028

LAND SALE 5



Sale Data:

Grantor	Vanguard Lending Group Inc.
Grantee	Not Applicable
Sale Date	Current Listing
Deed Book Page	N/Av
Property Rights	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	\$2,100,000
Present Value of Bonds	\$0

Land Data:

Land Area (SF)	91,476
Land Area (Acres)	2.10
Zoning Code	PD-201
Shape	Rectangular
Street Frontage	Cirby Way
Topography	Generally Level
Off-Site Improvements	All to Site
On-Site Improvements	None
No. of Planned Units	23
Density	10.95

Indicators:

Sale Price per Developable Unit	\$91,304
PV Bonds per Developable Unit	\$0

Remarks:

This comparable represents a current listing of 2.10 acres approved for 23 condominiums. The parcel is located just off of Interstate 80 at Cirby Way.

Adjustment Discussion

In order to value the townhouse component of the subject property, the comparable transactions are adjusted based on the profile of the subject with regard to categories that affect market value. If a comparable has an attribute that is considered superior to that of the subject, it is adjusted downward to negate the effect the item has on the price of the comparable. The opposite is true of categories that are considered inferior to the subject.

In order to isolate and quantify the adjustments on the comparable sales data, percentage or dollar adjustments are considered appropriate. At a minimum, the appraiser considers the need to make adjustments for the following items:

- Property rights conveyed
- Financing terms
- Conditions of sale (motivation)
- Expenditures after sale
- Market conditions (time)
- Physical features

A paired sales analysis is performed in a meaningful way when the quantity and quality of data are available. However, as a result of the limited data present in the market, many of the adjustments require the appraiser's experience and knowledge of the market and information obtained from those knowledgeable and active in the marketplace. A detailed analysis involving each of the aforementioned factors is presented as follows:

Property Rights Conveyed

In transactions of real property, the rights being conveyed vary widely and have a significant impact on the sales price. The opinion of value in this report is based on a fee simple estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat, as well as non-detrimental easements, community facility districts, and conditions, covenants and restrictions (CC&Rs). All of the comparables represent fee simple estate transactions. Therefore, adjustments for this factor are not necessary.

Financing Terms

In analyzing the comparables, it is necessary to adjust for financing terms that differ from market terms. Typically, if the buyer retained third party financing (other than the seller) for the purpose of purchasing the property, a cash price is presumed and no adjustment is required. However, in instances whereby the seller provides financing as a debt instrument, a premium may have been paid by the buyer for below market financing terms or a discount may have been demanded by the buyer if the financing terms were above market. The premium or discounted price must then be adjusted to a cash equivalent basis. Each of the comparable sales represents a cash to the seller transaction and, as such, no adjustments are required.

Conditions of Sale

Adverse conditions of sale can account for a significant discrepancy from the sales price actually paid compared to that of the market. This discrepancy in price is generally attributed to the motivations of the buyer and the seller.

Certain conditions of sale are considered to be non-market and may include the following:

- a seller acting under duress,
- a lack of exposure to the open market,
- an inter-family or inter-business transaction for the sake of family or business interest,
- an unusual tax consideration,
- a premium paid for site assemblage,
- a sale at legal auction, or
- an eminent domain proceeding.

The majority of the comparable transactions were arms-length market transactions and do not require a condition of sale adjustment. Comparable #5 represents a current listing and receives a downward adjustment to account for typical negotiations between buyer and seller over the list price.

Expenditures After Sale

This category includes all costs required after the transaction. None of the comparables have expenditures after sale; thus, no adjustments are necessary in this category.

Market Condition (Time)

Market conditions generally change over time, but the date of this appraisal is for a specific point in time. Therefore, in an unstable economy, one that is undergoing changes in the value of the dollar, interest rates and economic growth or decline, extra attention needs to be paid to assess changing market conditions. Significant monthly changes in price levels can occur in several areas of a municipality, while prices in other areas remain relatively stable. Although the adjustment for market conditions is often referred to as a time adjustment, time is not the cause of the adjustment.

In evaluating market conditions, changes between the transaction dates for the comparable sales and the effective date of this appraisal may warrant adjustment; however, if market conditions have not changed, then no time adjustment is required. As detailed in the estimate of revenue for the single-family component of the subject property, the residential sector is stabilizing or moderating in the current market environment. Due to the fact that Comparable #3 transferred at the peak of the market in December 2005, a downward adjustment is required to this sale to account for contracting market conditions since this sale was negotiated. Comparables #1 and #2 were negotiated during the current period of moderation, and Comparable #4 transferred in March 2005, prior to the peak experienced in late-2005. No adjustments are considered necessary to these sales.

Physical Characteristics

The physical characteristics of a property can impact the selling price. Those that may impact value are discussed below.

Location

Medium to high-density land sale comparables were analyzed from several submarkets of Sacramento. Comparables #2, #4 and #5 are located in south Placer County and are deemed similar in location with respect to demographics, growth rates, surrounding uses, property values, and economic characteristics. These comparables have the same overall desirability to the most probable buyer or user and do not require adjustment. However, Comparables #1 and #3 are located in areas considered inferior to that of the subject property, warranting upward adjustments.

Parcel Area

In general, due to economies of scale, the market exhibits an inverse relationship between size and price per unit (acre/sf/unit), such that larger parcels tend to sell for a lower price per unit than smaller parcels, all else being equal. However, with multifamily land, developers are typically willing to pay a higher price per unit for larger parcels in order to ensure synergy with their product, versus a small, in-fill project, which does not enjoy project identity. As such, smaller projects generally incur greater costs per unit for marketing efforts. Therefore, in comparison to the subject property, smaller properties require upward adjustments, while larger properties require downward adjustments for the discrepancy in land area.

Visibility/Accessibility

The visibility and accessibility of a property can have a direct impact on value. For example, a property with limited access is considered to be an inferior position compared to a property with open accessibility. Conversely, if a property has good visibility, or is situated in proximity to major linkages, this is considered to be a superior site amenity in comparison to a property with limited visibility. Each of the comparable sales has similar visibility and accessibility characteristics as the subject. Thus, no adjustments are required.

Density

In general, projects with lower densities offer superior appeal due to additional open space associated with them. With the exception of Comparable #4, all of the comparables have a similar project density in comparison to the subject property. Comparable #4 has a significantly higher density, which warrants an upward adjustment.

Utility/Topography

Differences in contour, drainage, or soil conditions can affect the utility and, therefore, the market value of the property. All of the comparable properties offer terrain with similar utility. As such, no adjustments are necessary when comparing the sales with the subject.

Offsite Improvements

The subject property and all of the comparable sales have offsite improvements. No adjustments are necessary in this category.

Conclusion of Revenue – Townhouse Residential Component

Due to the gradually increasing median new home price in the Sacramento Region, housing in the area is increasingly more unaffordable to entry-level homebuyers, who are being forced to either purchase homes in outlying areas, such as Sutter and Yuba Counties, or search for an alternative housing product. As result, demand for higher density housing in the area has increased significantly over the past several years.

During our investigation, we identified several medium to high-density land sales located throughout the Greater Sacramento Region that were entitled for either townhouse or condominium development at the time of sale. In total, we have presented five comparables that were analyzed to estimate the hypothetical revenue for the townhouse residential component of the subject property. Based on the indication from the data set, and in consideration of the adjustments detailed on the previous pages, a hypothetical market value of \$75,000 per developable unit is considered reasonable. Applying this unit indicator yields a revenue conclusion of **\$600,000** (\$75,000 per developable unit x 8 units), rounded.

Land Residual Analysis – Mixed-Use (Condominium and Retail) Revenue Component

In this section, we will estimate revenue for the mixed-use component of the subject property, which consists of a 6.52-acre site proposed for the construction of 75,000 square feet of retail space, with 352 residential condominium units situated in three separate buildings above the commercial space and ground-level parking. These mixed-use buildings will be four to five stories upon completion.

A land residual analysis will be utilized to estimate revenue for the mixed-use component. While there are several recent land transactions of commercially zoned properties throughout the subject's market area, these sales are not deemed applicable in the valuation of the mixed-use site, as the sales do not have similar entitlements or approved density as the subject. In general, properties with higher densities yield a higher return to the land than lower density developments, all else being equal. There are several two to three-story condominium and apartment conversion projects throughout the Roseville/Rocklin submarket; however, a mixed-use project such as that proposed/approved for the subject will be unique to the area. These types of developments, both planned and existing, are more readily found in higher density urban submarkets, such as the Central Business District and Midtown areas of Sacramento.

Land Residual Analysis

The land residual analysis is utilized in estimating land value when subdivision and development are the highest and best use of the parcel of land being appraised. All direct and indirect costs are deducted from an estimate of the anticipated gross sales price of the improved product; the resultant net sales proceeds are then discounted to present value at an anticipated rate over the development and absorption period to indicate the value of the land.

We will employ a discounted cash flow analysis to value the subject property under the land residual analysis. The four main components of our discounted cash flow analysis are listed as follows:

- **Revenue** – the gross income generated by the sale of the condominium units and retail building.
- **Absorption Analysis** – the time frame required to sell-off the improvements. Of primary importance in this analysis is the allocation of the revenue over the absorption period – including the estimation of an appreciation factor (if any).
- **Expenses** – the expenses associated with the sell-off are calculated in this section – including administration, marketing and commission costs, taxes, as well as construction costs.
- **Entrepreneurial Incentive and Discount Rate** – an appropriate profit and discount rate is derived by employing a variety of data.

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

Revenue

The revenue consists of the 352 residential condominium units and 75,000 square feet of retail space representing the subject property upon completion of construction. We will begin by estimating the aggregate retail value (revenue) of the condominium units as improved. Then, the sales comparison and income capitalization approaches will be employed to estimate the hypothetical value of the commercial portion as improved. Construction costs will be accounted for in the *Expenses* section of the discounted cash flow analysis.

Condominium Sales

The subject is expected to meet the stable demand for new residential housing in the Roseville submarket, as evidenced by stable sales and absorption reported from other projects within the immediate area and surrounding areas of south Placer County. Based on the specifics of the subject property, the units will be designed to target entry-level to median-income homebuyers in the region. The subject enjoys proximity to major linkages and is anticipated to attract steady demand, similar to competing developments in the market area.

The valuation of the specific units to be constructed on the subject development is beyond the scope of this appraisal. Additionally, the details relating to the pricing and unit mix for the proposed product line have not been finalized. The land residual analysis considers the projected selling prices of the most likely condominium units, then reduces that value by the direct costs, indirect costs and developer's profit for the construction of a unit. Additionally, this method takes into account projected sell-out of the development, resulting in an estimate of residual value for the land. Thus, for purposes of the land residual analysis, we will profile a hypothetical average condominium unit for the subject development. The size and price profiled is based on our survey of active high-density residential (condominium, townhouse, and cluster) projects in the subject's market area deemed similar to the most likely product to be constructed on the subject property. The table on the following page details each of the active high-density residential subdivisions within the Roseville and Rocklin areas. The data is taken from The Gregory Group housing report for the Fourth Quarter of 2006.

Project	Builder	Planned Units	No. of Units Sold	Total Monthly Sales Rate	Average Floor Plan (SF)	Average Base Price
Roseville						
The Phoenician	Granite Bay Holdings	324	152	5.40	964	\$291,250
Strada	John Laing Homes	242	208	7.39	1,357	\$349,657
Campania	John Laing Homes	166	158	5.86	1,412	\$302,190
The Villages of The Galleria	Col Rich Homes	400	181	8.84	920	\$209,990
Villemont	Tim Lewis Communities	248	53	4.56	1,347	\$353,990
Venu at Galleria	Avenue Communities	258	43	4.87	1,038	\$359,829
Shasta Oaks Townhomes	Dunmore Communities	26	6	1.03	1,243	\$328,567
Rocklin						
Hearthstone	D.R. Horton	93	93	1.31	1,255	\$270,657
The Terraces at Stanford Ranch	Apex Construction Services	132	4	0.10	1,627	\$324,323
Grand Oaks Townhomes	Dunmore Communities	31	25	1.04	1,314	\$257,900
Arroyo Vista	Ryland Homes	120	1	0.33	1,641	\$329,990

Based on the type of product currently being offered in the subject’s market area, and given the specifics of the subject property, we have estimated a hypothetical average floor plan of 1,200 square feet. The average base price is estimated based on an examination of the base prices in relation to living area for comparable homes. Considering the indication from the comparable projects, a base price of \$330,000 is concluded for the hypothetical 1,200 square foot floor plan. It is noted this base price is net of incentives being offered by the builders, and it is exclusive of upgrades. The hypothetical floor plan will be incorporated in the land residual analysis. Similar to the competitive projects, the subject’s units are expected to be of good quality construction and excellent condition upon completion of construction.

Affordable Housing Units

In accordance with the Development Agreement and approvals for the subject property, the development is to include 50 below market rate units (BMRs), as follows:

No. of Units	Type	Definition
10	Middle-income	Households earning no more than 100% of median income
20	Low-income	Households earning no more than 70% of median income
20	Very low-income	Households earning no more than 50% of median income

The established median income is based on the four-county Sacramento Region, including the counties of Sacramento, Placer, El Dorado and Yolo. The maximum value of an affordable unit is calculated based upon 30% of the gross median income, as specified, to be available for all costs related to housing, including any/all bond encumbrances, principle and interest payments on the home loan, taxes, and insurance. The interest rate reflects current 30-year fixed interest rates. Based on our conversations with the City of Roseville Economic and Community Services Department, we will utilize the following pricing for the affordable housing units:

No. of Units	Type	Estimated Price
10	Middle-income	\$220,000
20	Low-income	\$135,000
20	Very low-income	\$100,000

Inflation Factor

An estimation of housing appreciation/depreciation is highly speculative, especially in the current market, which has moderated relative to the significant appreciation in prices experienced over the past several years. However, in order to account for general inflation during the sellout period, we take into consideration historical changes in the Consumer Price Index (CPI), which has increased approximately 3% per year over the past five years, according to the U.S. Department of Labor – Bureau of Labor Statistics. In the analysis of the subject property, we apply an inflation factor at a rate of 0.75% per quarter.

Revenue Conclusion – Condominium Units

Considering the preceding discussions and analyses, the following table details the conclusion of revenue associated with the condominium units:

Designation	No. of Units	HMV Per Unit	Revenue
Hyp. Avg. Floor Plan - Standard Units	302	\$330,000	\$99,660,000
Affordable Units - Middle-Income	10	\$220,000	\$2,200,000
Affordable Units - Low-Income	20	\$135,000	\$2,700,000
Affordable Units - Very Low-Income	20	\$100,000	\$2,000,000
Total	352		\$106,560,000

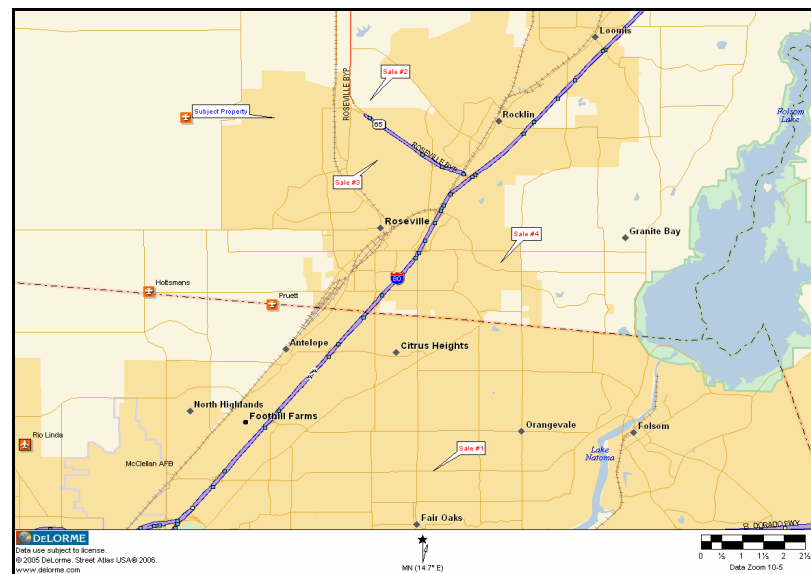
The sales comparison and income capitalization approaches will be utilized to estimate the hypothetical market value (revenue) of the 75,000 square feet of commercial space as improved. It is noted the values derived represent the hypothetical market value assuming stabilized occupancy. Deductions will be required for lease-up costs, such as rent loss, tenant improvements, commissions, and developer's incentive, to arrive at our final estimate of revenue for the commercial component.

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

The proper application of this approach requires obtaining sale data for comparison with the subject property. In order to assemble the comparable sales, we searched public records and other data sources for leads, then confirmed the raw data obtained with parties directly related to the transactions (primarily brokers, buyers and sellers).

On the following pages, we will present and analyze four comparable sales. We will begin by presenting a summary tabulation and location map, a discussion of necessary adjustments, and our conclusion of hypothetical market value via this approach. These sales are the most recent transactions that are considered reasonably similar to the subject.

No.	Property Identification	Sale Date	Sale Price	Rentable Area (SF)	Price per SF	OAR	Year Built
1	8100-8128 Madison Avenue Sacramento APN: 249-0091-014 Grantor: Smith Family Investments, LLC Grantee: Elder Creek Commercial Center, LLC	Jun-06	\$6,015,000	25,169	\$238.98	6.13%	1977
2	6815-6851 Lonetree Boulevard Rocklin APN: 360-020-045 Grantor: Blue Oaks Marketplace, LLC Grantee: Lakha Investments	Mar-06	\$30,250,000	83,394	\$362.74	N/Av	2004
3	1000-1500 Pleasant Grove Boulevard Roseville APNs: 363-030-070, -071 and -073 through -080 Grantor: Roseville Grove I, LLC Grantee: Highland Crossing, LLC	Sep-05	\$41,500,000	128,400	\$323.21	5.75%	2003
4	1410 East Roseville Parkway Roseville APN: 456-010-062 Grantor: N/Av Grantee: 2ASJ Company	May-05	\$18,100,000	41,204	\$439.28	5.96%	2001



Adjustment Discussion

In order to estimate the hypothetical market value of the subject property, the comparable transactions are adjusted to the subject with regard to categories that affect value. If a comparable has an attribute that is considered superior to that of the subject, it is adjusted downward to negate the effect the item has on the price of the comparable. The opposite is true of categories considered inferior to the subject.

To isolate and quantify the adjustments on the comparable sales data, it is considered appropriate to use percent adjustments. At a minimum, the appraiser considers the need to make adjustments for the following items:

- Property rights conveyed
- Financing terms
- Conditions of sale (motivation)
- Expenditures after sale
- Market conditions (time)
- Physical features

A paired sales analysis is performed in a meaningful way when the quantity and quality of data are available. However, as a result of the limited data present in the market, many of the adjustments require the appraiser's experience and knowledge of the market and information obtained from those knowledgeable and active in the marketplace. A detailed analysis involving each of these factors is presented below.

Property Rights Conveyed

The estimate of hypothetical market value is for a fee simple estate. All of the sales represent leased fee transactions. To the best of our knowledge, the properties sold within market parameters and were not influenced by above or below market contract rental rates. Thus, no adjustments are required for property rights conveyed.

Financing Terms

In analyzing the comparables, it is necessary to adjust for financing terms that differ from market terms. Typically, if the buyer retained third party financing (other than the seller) for the purpose of purchasing the property, a cash price is presumed and no adjustment is required. However, in instances where the seller provides financing as a debt instrument, a premium may have been paid by the buyer for below market financing terms or a discount may have been demanded by the buyer if the financing terms were above market. The premium or discounted price must then be adjusted to a cash equivalent basis. The comparable sales represented cash to the seller transactions and, therefore, do not require adjustments.

Conditions of Sale

Adverse conditions of sale can account for a significant discrepancy from the sales price actually paid compared to that of the market. This discrepancy in price is generally attributed to the motivations of the buyer and the seller. All of the comparable transactions were arms-length and do not require a conditions of sale adjustment.

Expenditures After Sale

Expenditures after sale include expenses that are incurred after the purchase of a property, such as lease-up costs that would be required to bring a property to stabilized occupancy, rent loss and entrepreneurial profit. Comparable #2 was 40% vacant at the time of sale and requires an upward adjustment to account for lease-up costs. None of the other comparables have expenditures after sale.

Market Conditions (Time)

In evaluating market conditions, changes between the comparable sales date and the effective date of this appraisal may warrant adjustment; however, if market conditions have not changed, then no time adjustment is required. Comparables #3 and #4 transferred over one year ago; thus, these sales receive upward adjustments to account for the improvement in the retail market since the sale dates.

Location

The subject property is located within the city of Roseville and is considered to have a good overall location. Comparable #1 is situated in Sacramento, and the location of this property is deemed inferior to the subject with respect to surrounding land uses, desirability, property values, etc. As such, an upward adjustment is warranted to this comparable for location. The balance of the comparables generally has the same overall desirability to the most probable buyer or user. No additional adjustments are deemed necessary in this category.

Visibility/Accessibility

The visibility and accessibility of a property can have a direct impact on property value. For example, if a property is landlocked, this is considered to be an inferior position compared to a property with open accessibility. However, if a property has good visibility or is in proximity to major linkages, this is considered a superior amenity in comparison to a property with limited visibility. All of the sales have similar visibility/accessibility relative to the subject property, with no adjustments required.

Rentable Area (SF)

In general, due to economies of scale, the market exhibits an inverse relationship between building area and price per square foot such that larger buildings sell for a lower price per square foot than smaller buildings, all else being equal. As such, it is considered reasonable to adjust Comparables #1 and #4 downward, since they represent smaller buildings compared to the subject property. Comparable #3 has significantly more rentable area than the subject, warranting an upward adjustment.

Quality of Construction

All of the comparables have similar quality construction in comparison to the subject property (as proposed). Thus, no adjustments are required for this factor.

Effective Age/Condition

In its hypothetical condition assuming completion of construction, the subject is representative of new construction in excellent condition. All of the comparables exhibit older effective ages in comparison to the subject and receive upward adjustments. It is noted the adjustment required to Comparable #1 is significant given its effective age of 20± years.

Conclusion – Sales Comparison Approach

During our investigation, we identified several commercial properties located throughout the Sacramento region that were analyzed to estimate the hypothetical market value of the subject's commercial component assuming completion of construction and stabilized occupancy. Based on the indications of the data set, and considering the similarities and dissimilarities between the comparable sales and the subject property, as well as the required adjustments previously discussed, our conclusion of hypothetical market value for the commercial component of the subject property is \$400.00 per square foot of rentable building area. Applying this unit indicator yields a revenue conclusion of **\$30,000,000** (\$400 per square foot x 75,000 square feet).

Income Capitalization Approach

For income-producing real estate, the future earning power of the property is widely regarded as the single most critical element affecting its value. Hence, the income capitalization approach is often deemed the most meaningful indication of value.

We will exclusively apply the direct capitalization method of the income capitalization approach. Direct capitalization converts an estimate of a single year's net operating income into an indication of value in one direct step. This step is accomplished either by dividing the income estimate by the relevant income rate (an overall capitalization rate), or by multiplying the income estimate by a proper factor (such as a gross, effective gross or net income multiplier). In the subject's market area, buyers and sellers of properties like the subject typically handle direct capitalization by using an overall rate as opposed to a multiplier. Therefore, this method of direct capitalization will be employed in this analysis.

The components of the direct capitalization method are tabulated as follows:

- Potential Gross Income
- Vacancy and Collection Loss
- Operating Expenses
- Overall Capitalization Rate

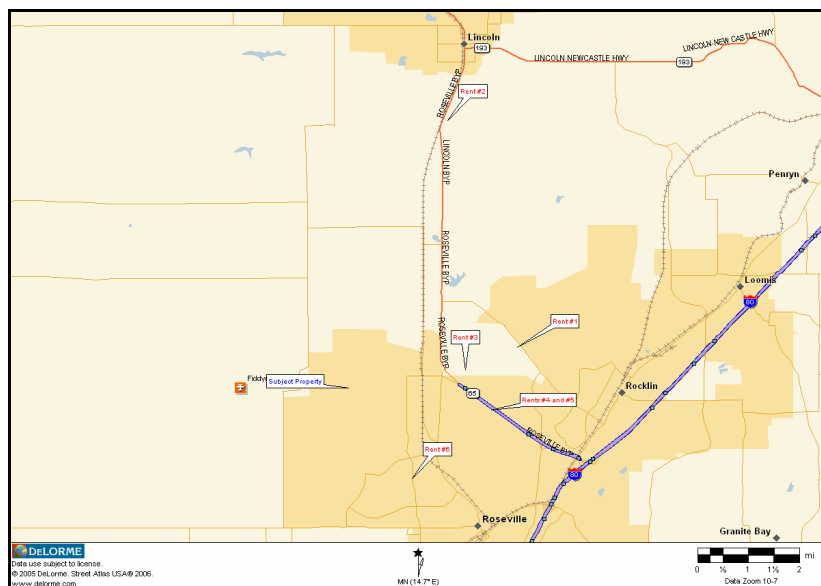
These four components are discussed below and will be combined at the end of this section to provide a hypothetical market value estimate of the subject's commercial component.

Potential Gross Income

To date, no leases have been signed for the subject property. Because no contract rent has been established, we will use market rent to estimate the potential gross rental income for the subject. Upon completion of construction, the commercial component will contain 75,000± square feet of rentable area. As planned, there will be multiple suites, with one or two anchor tenants (larger suites) and numerous in-line retail tenants (smaller suites). The improvements will be constructed in a vanilla shell condition, in which the ceilings, wall partitioning, central HVAC systems, and restrooms will be put in place, with no other improvements. We have conducted a rent survey of similar retail properties in the area to determine market rent for the subject property. The results of the rent survey are summarized on the following page.

RENT SURVEY

No.	Tenant / Property Identification	Lease Began	Lease Term	Rentable Area (SF)	Rent/SF	Rent Terms	Escalations
1	Sushi Restaurant SWC of Sunset Boulevard and Park Avenue Rocklin	Dec-06	10 years	2,588	\$2.50	NNN	3% annual
2	Chinese Buffet (LOI) 711 Sterling Parkway Lincoln	Aug-06	10 years	8,200	\$2.35	Abs. Net	3% annual
3	Dress Barn Blue Oaks Town Center Rocklin	Jun-06	10 years	7,103	\$2.00	NNN	3% annual
4	Samurai Sam's Highway 65 & Pleasant Grove Boulevard Roseville	Aug-05	5 years	1,201	\$3.00	NNN	\$0.05 annual
5	Toys That Teach Highway 65 & Pleasant Grove Boulevard Roseville	Aug-05	4 years	3,060	\$2.75	NNN	3% annual
6	It's A Grind 7451 Foothills Boulevard Roseville	Jul-05	10 years	1,474	\$3.00	NNN	3% annual



In order to establish market rent for the subject property, we surveyed a number of retail properties in Roseville, Rocklin and Lincoln. The comparable properties presented on the preceding page are considered the most similar to the subject that we could accurately confirm. For purposes of our analysis, and to be consistent with market, we have assumed a triple-net lease type for the subject property. Under triple-net leasing, the property owner is responsible for management and reserves, and the tenants are responsible for all other operating expenses, including property taxes, insurance, and maintenance and repairs.

Factors considered when adjusting the comparables consist of lease type, lease conditions, market conditions, location, visibility/accessibility, rentable area, overall quality and effective age/condition. In equating the comparables to the subject, all are considered reasonable indicators of market rent for the subject. In general, the market exhibits an inverse relationship between lease rates and rentable area such that larger spaces rent for a lower amount per square foot compared to smaller spaces, all else being equal. As noted, the commercial component of the subject property is expected to include one or two anchor tenants and numerous in-line retail tenants. It is expected the tenants with more rentable area (i.e., anchor tenants) would have lease rates towards the lower end of the rental range (\$2.00 to \$2.50 psf/month), while the in-line tenants would lease towards the upper end of the range (\$2.50 to \$3.00 psf/month). After analyzing the data, and based on the specifics of the subject property, an average market rent for the subject of **\$2.50 psf/month (NNN)** is concluded.

Consistent with the triple-net leasing strategy, tenant reimbursements also comprise a portion of potential gross income. Tenants reimburse the property owner for property taxes, insurance, maintenance and repairs. These items are discussed in the *Operating Expenses* section.

Vacancy and Collection Loss

This portion of the analysis considers the valuation of the subject property at stabilized occupancy. Stabilized occupancy is defined as follows:

Occupancy at that point in time when abnormalities in supply and demand or any additional transitory conditions cease to exist and the existing conditions are those expected to continue over the economic life of the property; the optimum range of long-term occupancy that an income-producing real estate project is expected to achieve under competent management after exposure for leasing in the open market for a reasonable period of time at terms and conditions comparable to competitive offerings.¹⁶

In keeping with the concept of stabilized occupancy, an allowance for vacancy and collection loss must be considered for reductions in potential income attributable to vacancies, tenant turnover, and nonpayment of rent. According to the CB Richard Ellis Retail Market Review, the average retail vacancy rate in the subject's Roseville/Rocklin submarket was 6.1% as of the Fourth Quarter 2006,

¹⁶ The Dictionary of Real Estate Appraisal, 4th ed. (Chicago: Appraisal Institute, 2002), 274.

which is slightly lower than the average vacancy rate of 6.2% for the greater Sacramento region during the same period. Upon inspection of the subject neighborhood, overall vacancy rates appeared low, and commercial properties in the immediate area appeared to be performing at or near stabilized occupancy. After taking into account all market factors, a stabilized vacancy rate of 5% is considered reasonable over the life of the property.

Operating Expenses

Because the subject represents a proposed project, an operating expense history is not available. Therefore, for the purpose of estimating the subject’s stabilized operating expenses, we have considered historical operating expenses for comparable retail properties in the subject’s market area, reported average operating expenses for retail properties in the Sacramento region, published by the Institute of Real Estate Management (I.R.E.M.), and the *Korpacz Real Estate Investor Survey* for national strip shopping centers. Only the expenses that are the responsibility of the owner, or expenses that are paid by the owner and then reimbursed by the tenant, are included in the *Income Capitalization Approach* table at the end of this section. Under triple-net terms, the tenant pays utilities and janitorial expenses directly; therefore, these expenses are not included in the analysis.

The property taxes are calculated based on the current tax rate (1.0508%) applied to the hypothetical market value estimate, plus any supplemental assessments. Property insurance is estimated at \$0.35 psf/year, and maintenance and repairs are estimated at \$0.70 psf/year. Additionally, pro forma common area maintenance expenses are projected to average \$0.60 psf/year. Property management expenses for retail properties in the subject’s market area are typically between 3% and 5% of effective gross income. Based on the size, design and leasing strategy assumed for the subject property, a management fee toward the upper end of the spectrum is concluded (5% of effective gross income). Finally, a replacement allowance of \$0.25 psf/year is considered reasonable to account for the eventual replacement of short-lived items, such as concrete and asphalt paving, mechanical systems, paint, flooring, roof surfaces, etc. These expenses will be used in the estimate of net operating income, presented in the income capitalization sheet at the end of this section.

Overall Capitalization Rate

To provide an estimate of hypothetical market value for the subject property via the direct capitalization method of the income capitalization approach, an overall rate must be derived. The overall capitalization rate is the ratio between the net operating income as of the date of value and a property’s cash equivalent sales price. The overall rate is a reflection of the present value of anticipated future benefits.

The capitalization rate to be applied to the subject’s net operating income can be based on an analysis and interpretation of market transactions. Overall capitalization rates can reasonably be viewed as a function of risk. For instance the riskier the investment, the higher the overall

capitalization rate. In determining a capitalization rate, consideration is given to the subject’s location, building area, visibility/accessibility, condition, effective age and quality of construction. The subject is deemed to be relatively similar to the comparables in most elements of comparison.

The following details several sales of commercial properties located throughout the Sacramento region. In the *Sales Comparison Approach*, we analyzed four sales of commercial properties, with capitalization rates confirmed for three of the sales. Thus, we compiled additional comparable sales to determine an overall capitalization rate for the subject property.

No.	Property Identification	Sale Date	Sale Price	Rentable Area (SF)	NOI	OAR
1	8100-8128 Madison Avenue Sacramento	Jun-06	\$6,015,000	25,169	\$368,720	6.13%
2	420-440 Elkhorn Boulevard Rio Linda	Mar-06	\$19,009,865	77,080	\$1,201,423	6.32%
3	1000-1500 Pleasant Grove Boulevard Roseville	Sep-05	\$41,500,000	128,400	\$2,386,250	5.75%
4	7777 Sunrise Boulevard Citrus Heights	Aug-05	\$7,600,000	34,105	\$518,320	6.82%
5	1410 East Roseville Parkway Roseville	May-05	\$18,100,000	41,204	\$1,078,760	5.96%

The market data indicates a range of overall capitalization rates from 5.75% to 6.82%, with a tendency towards the lower end to middle of the range. Considering the income-producing potential of the subject in comparison to other properties in the region, and in consideration of the fact that commercial brokers in the subject’s market area are reporting a rise in capitalization rates over the latter half of 2006, we have concluded a capitalization rate for the subject of 6.25%.

Conclusion – Income Capitalization Approach

Applying the components discussed on the preceding pages (potential gross income, vacancy, operating expenses and overall capitalization rate), the hypothetical market value conclusion via the income capitalization approach is offered on the following page. Once again, this value estimate assumes completion of construction and stabilized occupancy.

POTENTIAL GROSS INCOME CALCULATION				
Income	Rentable Area (SF)	Rent PSF/Mo.	Monthly Income	Annual Income
Market Rent	75,000	\$2.50	\$187,500	\$2,250,000
Tenant Reimbursements				\$481,117
Total Potential Gross Income				\$2,731,117
VACANCY & COLLECTION LOSS	@ 5%			(\$136,556)
EFFECTIVE GROSS INCOME				\$2,594,561
EXPENSES	\$/SF/Year	\$/Year	% of EGI	
Property Taxes and Assessments	\$4.76	\$357,367	13.8%	
Building Insurance	\$0.35	\$26,250	1.0%	
Maintenance and Repairs	\$0.70	\$52,500	2.0%	
Common Area Maintenance	\$0.60	\$45,000	1.7%	
Management @ 5% of EGI	\$1.73	\$129,728	5.0%	
Reserves for Replacement	\$0.25	\$18,750	0.7%	
Total Expenses	\$8.39	\$629,595	24.3%	(\$629,595)
NET OPERATING INCOME				<u>\$1,964,966</u>
DIRECT CAPITALIZATION VALUE CONCLUSION				
N.O.I	divided by	Capitalization Rate	=	Value
\$1,964,966	÷	6.25%		\$31,439,457
CONCLUSION OF VALUE BY DIRECT CAPITALIZATION			Rd.	\$31,440,000

Reconciliation

The hypothetical market value conclusions indicated by the sales comparison and income capitalization approaches to value are:

Sales Comparison Approach	\$30,000,000
Income Capitalization Approach	\$31,440,000

In reconciling these approaches to value, consideration is given to the individual strengths and weaknesses of each approach.

Sales Comparison Approach

In this analysis, we analyzed several comparable sales of commercial properties throughout the Sacramento region. The sales comparison approach is typically most relevant when valuing small, owner-user properties; however, it can be useful in appraising any type of property for which recent market sales data can be obtained. This approach is relevant to the valuation of the subject property because there have been several recent sales of similar projects in the subject's Roseville/Rocklin submarket. The data obtained for this analysis was reasonably similar to the subject, and the adjustments accounted for any differences between the comparables and the subject. The hypothetical value indication via this approach is considered reliable because we identified several comparable sales, and the moderate amount of adjustments resulted in a narrowing of the range of data.

Income Capitalization Approach

We began the income capitalization approach by estimating the potential gross income for the subject property, which consists of market rent and tenant reimbursements. Then, with consideration given to a stabilized vacancy factor and reasonable operating expenses, a pro-forma net operating income was calculated. At this point, the method chosen to estimate the value of the subject property was direct capitalization. An appropriate capitalization rate was selected based on the indications of several recent comparable sales.

Buyers of income-producing real estate rely primarily upon the income capitalization approach when assessing the feasibility of an investment. This approach is considered relevant to the valuation of the subject as an income-producing project and as a valid investor property. Further, the reliability of this approach is good in light of the fact that we identified several leases of comparable properties, all of which were located in south Placer County. Additionally, the data obtained in estimating vacancy, operating expenses and a capitalization rate for the subject property are considered reliable.

Conclusion

Overall, greater emphasis is given to the value conclusion derived via the income capitalization approach. The sales comparison approach is relevant to the analysis; however, due to the fact the appraised property is income producing in nature, the overall value is predicated on the strength of the income stream and ability to attract prudent investment capital. Based on the preceding discussion and analysis, our final conclusion of hypothetical market value – assuming completion of construction and stabilized occupancy – is **\$31,000,000**.

Conclusion of Revenue – Commercial Component

The preceding analysis considered the subject property at completion of construction and at stabilized occupancy. In order to determine the hypothetical market value at completion of construction, but prior to stabilized occupancy, deductions are required for rent loss, tenant improvements, leasing commissions and developer’s incentive over a reasonable absorption period. These items are discussed below.

Rent Loss

Until the property reaches stabilization, the subject will incur rent loss. In order to estimate an absorption period for the subject property, we have considered lease-up information for similar projects in the region, presented as follows:

No.	Property Identification	Effective Date	Total Area (SF)	% Leased Before Complete
1	Two Proposed Retail Buildings 1441-1453 Howe Avenue Sacramento	Jan-07	10,669	82%
2	The Enclave At Walerga 8008 Walerga Road Antelope	Mar-06	7,457	100%
3	North Lincoln Commerce Center NEC N. Lincoln Street and Russell Lane Dixon	Mar-06	33,160	50%
4	Blue Oaks Town Center Blue Oaks Boulevard & Highway 65 Rocklin	Dec-05	600,000	85%-90%
5	Promenade at Sacramento Gateway NEQ Interstate 80 & Truxel Road Sacramento	Nov-05	663,000	89%
6	Laguna Gateway Phase II NEC Laguna & Big Horn Blvds. Elk Grove	Oct-05	200,000 (approx.)	100%
7	The Shops At Mangrove NWC Mangrove & Vallombrosa Aves Chico	Sep-05	19,560	64%

With exception to Comparable #3, all of the properties were substantially pre-leased prior to completion of construction. Similar to the comparables, the subject’s commercial component is expected to be 80% pre-leased, leaving 15,000 square feet of rentable area vacant upon completion. The following table details lease-up periods for several properties throughout the Sacramento region:

No.	Property Identification	Effective Date	Area Leased (SF)	Lease-up Time (Mos.)	Absorption Rate (SF/Month)
1	The Villages at Sterling Pointe Buildings 3 & 4 - Lincoln	Jul-06	4,708	3	1,569
2	The Enclave At Walerga Antelope	Apr-05	7,457	4	1,864
3	Founders Landing Elk Grove	Apr-05	5,150	3	1,717
4	Panda Roseville Center Roseville	Mar-05	8,508	3	2,836
5	Retail/Office Building 605 G Street, Lincoln	Feb-05	10,046	2	5,023

Based on the information above, we have estimated an absorption period of six months for the remaining space of 15,000 square feet to lease up (2,500 sf/month). Rent loss over these six months is calculated based on a rental rate of \$2.50 psf/month, consistent with the market rent concluded in the *Income Capitalization Approach*.

Tenant Improvement Allowances

Typical tenant improvement costs for retail properties in the subject’s market area range from \$20 to \$40 per square foot. We have concluded a tenant improvement allowance of \$30 per square foot, consistent with the intended marketing of the subject’s spaces. This cost estimate is reasonable based on our experience with relatively similar projects. The tenant improvement allowance will be applied to the total rentable area of 75,000 square feet.

Leasing Commissions

A leasing commission of 5% of the rental payments over the term of the lease is typical in the subject’s market area. A lease term of five years (60 months) is assumed. We will apply leasing commissions to the subject’s total rentable area.

Entrepreneurial Profit

A profit factor of 10% of the capital at risk during the lease-up period is considered reasonable in the subject’s market under current market conditions. Capital at risk includes the costs associated with rent loss, tenant improvements and leasing commissions.

Conclusion

The conclusion of hypothetical market value at completion of construction, prior to stabilized occupancy, is calculated below. This value conclusion equates to the revenue for the commercial component utilized in the discounted cash flow analysis.

Hypothetical Market Value At Completion of Construction and at Stabilized Occupancy						\$31,000,000
Rent Loss:	Month	SF Vacant	Absorp./Mo.	Market Rent	=	
	1	15,000	2,500	\$2.50	=	(\$37,500)
	2	12,500	2,500	\$2.50	=	(\$31,250)
	3	10,000	2,500	\$2.50	=	(\$25,000)
	4	7,500	2,500	\$2.50	=	(\$18,750)
	5	5,000	2,500	\$2.50	=	(\$12,500)
	6	2,500	2,500	\$2.50	=	(\$6,250)
Total:						(\$131,250)
T.I. Allowances:	75,000	SF @	\$30.00	psf =		(\$2,250,000)
Leasing Commissions:	75,000	SF @	\$2.50	psf/mo. for 60 mos. x 5%		(\$562,500)
Entrepreneurial Profit:	10%	of above costs =				(\$294,375)
Total Lease-Up Costs						(\$3,238,125)
						\$27,761,875
Hypothetical Market Value At Completion of Construction, Prior to Stabilized Occupancy						Rd. \$27,760,000

Absorption

In attempting to estimate the exposure time required for the disposition of the condominium units, we have looked at both historical exposure times for similar projects, as well as current and projected economic conditions. Real estate is cyclical in nature and it is difficult, if not impossible, to accurately forecast specific demand over a projected absorption period. The table below details absorption for all active high-density residential (condominium, townhouse, and cluster) projects in Roseville as of the Fourth Quarter 2006.

Project	Builder	Planned Units	No. of Units Sold	Total Monthly Sales Rate	Average Floor Plan (SF)	Average Base Price
The Phoenician	Granite Bay Holdings	324	152	5.40	964	\$291,250
Strada	John Laing Homes	242	208	7.39	1,357	\$349,657
Campania	John Laing Homes	166	158	5.86	1,412	\$302,190
The Villages of The Galleria	Col Rich Homes	400	181	8.84	920	\$209,990
Villemont	Tim Lewis Communities	248	53	4.56	1,347	\$353,990
Venu at Galleria	Avenue Communities	258	43	4.87	1,038	\$359,829
Shasta Oaks Townhomes	Dunmore Communities	26	6	1.03	1,243	\$328,567

Based on the subject’s target market of entry-level to middle-income homebuyers, as well as the conclusions of hypothetical market value for the condominium units, absorption for the subject property is estimated to average six units per month. Although no units will close escrow during the estimated two-year construction period, we have accounted for marketing efforts and pent up demand during the entitlement and site development process, which should result in a higher absorption rate during the first quarter of sales following completion of construction.

With respect to the commercial component of the subject property, net absorption statistics and current and historical vacancy statistics indicate that demand for retail properties should remain stable over the next several years. According to the CB Richard Ellis Market Overview as of the Fourth Quarter of 2006, the Sacramento area had an overall retail vacancy rate of 6.2%. After staying below 5% for over two years (since the First Quarter of 2004), the overall market vacancy rate reached 5.0% in Second Quarter 2006 and continued upward to 5.9% in Third Quarter 2006 and 6.2% in Fourth Quarter 2006. Market participants attribute the increased vacancy to a rise in new construction, coupled with several grocery store closures. In the subject’s submarket (Roseville/Rocklin), the Fourth Quarter 2006 retail vacancy rate was slightly lower at 6.1%. Net absorption for the retail market in the Sacramento area was a positive 642,094 square feet during the Fourth Quarter of 2006, with the subject’s submarket experiencing 52,406 square feet of positive net absorption during the same time period.

Generally speaking, net absorption year to date has been very strong for the Sacramento retail market. The region has continued to attract local, regional and national retailers responding to the population and housing boom of 2000 to 2005. Overall, investors see a strong long-term outlook for the Sacramento retail market, particularly in the growth area of Roseville/Rocklin. Therefore, the commercial component is expected to sell in the period (quarter) following completion of construction.

Expense Projections

A deduction has been made for expenses attributable to the project over the holding period. They are estimated as follows:

Construction Costs

Construction costs typically include both direct and indirect construction costs. Direct construction costs include all expenditures for the labor and materials needed in the actual construction of the units. Indirect construction items typically include site supervision, field office, maintenance and security, plan check fees, architecture and engineering. Comparable projects were surveyed in an effort to estimate direct construction costs. The following table details cost estimates reported from other attached residential projects within the region.

Project Location	Effective Date	Floor Plan (SF)	Direct Costs per SF
West Sacramento (3-story lofts)	Jan-07	1,556-1,628	\$159.60
Auburn (Condominiums)	2006	1,139	\$98.12
Davis (3-story mixed-use)	2006	1,135 - 1,362	\$168.32
Rocklin (Townhomes)	2006	1,002 - 1,839	\$104.16
Citrus Heights (Townhomes)	2006	1,602 - 1,963	\$109.83
Antelope (Condominiums)	2006	1,347 - 1,748	\$85.00
Sacramento (Condos, Retail, Parking)	2005	676 - 2,092	\$132.25

The direct costs for comparable attached residential projects generally range from \$85 to \$160 per square foot, with a tendency towards the lower end of the range. In the analysis of the subject property, average direct costs in the amount of \$135 per square foot are estimated for the condominiums. As further support, we analyzed data contained in the [Residential Cost Handbook](#), published by the Marshall and Swift Corporation, which substantiates the direct cost estimate. Based on the proposed unit mix for the condominiums, total living area is estimated at 388,357 square feet. Thus, the direct costs associated with the condominiums are projected at \$50,486,410.

With respect to the retail component, the following table details direct construction costs reported for commercial properties throughout the Sacramento region:

Project Description	Location	Date	Building SF	Land SF	Shell Costs per SF	TI Costs per SF	Permits/Fees per SF	Total Direct Costs per SF
Retail/residential building	West Sacramento	Jan-07	6,578	3,760	\$110.98	\$10.00	\$18.22	\$139.20
Retail building	Fair Oaks	Oct-06	6,220	17,092	\$95.70	\$30.00	\$11.67	\$137.37
Office/retail building	Lincoln	Oct-06	11,931	56,628	\$92.70	\$60.12	\$18.06	\$170.88
Retail building	Yuba City	Aug-06	8,400	49,223	\$95.96	\$50.00	\$11.67	\$157.63
8 retail buildings	Sacramento	Jul-06	48,715	247,856	\$129.50	(included)	\$13.00	\$142.50
2 retail buildings	Lincoln	Jul-06	13,536	57,064	\$92.32	\$35.00	\$7.70	\$135.02
La-Z-Boy furniture store	Roseville	May-06	19,584	78,471	\$68.60	\$29.81	\$15.32	\$113.73
2 retail buildings	Roseville	Jan-06	5,500	37,609	\$148.00	(included)	\$31.03	\$179.03
Retail building	Roseville	Oct-05	13,800	95,832	\$80.26	\$25.00	\$18.57	\$123.83
6 retail buildings	Roseville	Oct-05	59,112	466,733	\$97.50	\$25.00	\$15.50	\$138.00
4 retail buildings	Granite Bay	Jun-05	39,264	217,800	\$116.06	\$25.00	\$10.92	\$151.98

Based on the cost comparables, we have concluded a direct cost factor of \$135 per square foot of building area. Multiplied by 75,000 square feet of building area, total direct costs are estimated at \$10,125,000 for the commercial component of the subject property.

The following list itemizes some of the typical components that generally comprise indirect costs:

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

Conversations with homebuilders and commercial developers indicate the indirect costs generally range anywhere from 5% to 15% of the direct costs (excluding marketing, sales, general and administrative expenses, taxes, etc.). Considering the location and nuances of the subject property, a factor of 10% is selected for indirect costs, exclusive of the additional indirect expenses that are accounted for separately.

It is projected the infrastructure necessary to complete construction will be completed within a two-year period. The analysis takes into account the time period required for construction prior to the close of escrow for any sales.

Permits and Fees

Permits and fees represent all fees payable upon obtaining building permits for the construction of a unit. The permit and fee structure for the subject property is projected to average approximately

\$30,000 per unit for the condominium component. This permit and fee schedule is similar to other residential developments in the area. It is noted the permits and fees were already accounted for in the estimate of direct costs for the commercial component.

Site Development Costs

Typically, a deduction would also be required for site development since the subject property consists of unimproved land. However, the value estimate assumes completion of the improvements to be financed by the Diamond Creek Villages Community Facilities District No. 1 bond issuance (Series 2007 bonds), and the construction fund proceeds will finance all site development associated with the subject property. Therefore, no deductions are made for site costs given the hypothetical valuation premise.

Property Taxes, Assessments and HOA Fees

As indicated in the *Property Identification and Legal Data* section, the subject is located in tax rate area 005-001, which has an annual tax rate of 1.0508% based on assessed value. Interim taxes are estimated based on the anticipated assessment at market value. As units are sold, taxes are reduced on a pro-rata basis in the analyses. Additionally, the taxes are anticipated to increase 2.0% annually. Direct charges are accounted for by the rounding methods employed.

The subject property will have Homeowner’s Association (HOA) dues, and the fees are expected to average \$75 per unit, per month. This fee will fund the ongoing maintenance of common area facilities and services, and it will be accounted for in the valuation of the subject property.

Mello-Roos Community Facilities District (CFD)

With respect to special taxes, we have relied upon the *Rate and Method of Apportionment of Special Tax (RMA)* document, prepared by Goodwin Consulting Group, to determine the annual special tax levy on the subject property. In the document, a copy of which has been reproduced and included in the Addenda of this report, the subject property is segregated into three zones, with Zone 1 comprising the 131 single-family residential lots, Zone 2 encompassing the eight townhouse lots, and Zone 3 comprising the 6.52-acre mixed-use site. The base year annual special taxes under the Diamond Creek Villages CFD No. 1 bond district are detailed in the following table. The special taxes are subject to a 2% annual escalation factor.

Tax Zone	Proposed Land Use	Base Year Special Tax Per Lot/Unit/SF
Zone 1	Single-Family Residential	\$1,425 per lot
Zone 2	Townhouse (MDR)	\$1,100 per lot
Zone 3	Condominium Units (HDR)	\$624 per unit (on average)
	Commercial (75,000 sf)	\$0.36 psf of rentable area

The base year special tax payment for the high-density residential component within Zone 3 is expected to total \$219,525, which equates to approximately \$624 per unit ($\$219,525 \div 352$ units). As detailed in the *RMA*, the number of condominium units could change prior to final map recordation of the condominium plan, in which the maximum special tax per unit would be revised to reflect the new unit count. If, at some future date, alternate mapping of the subject property is implemented, there will necessarily be a direct impact on value, and the opinion(s) of value would be altered.

The subject property also has bond debt relating to the North Roseville CFDs #1, #2 and #3. As detailed in the *Sources and Uses* document, prepared by Piper Jaffray and Co. and dated January 22, 2007, total payments for these districts are expected to amount to \$479 per residential unit, with no payments allocated to the commercial component. As such, the CFD payments for the condominiums are projected to total \$1,103 per unit.

General and Administrative

These expenses consist of management fees, liability and fire insurance, inspection fees, appraisal fees, legal and accounting fees and copying or publication costs. This expense category typically ranges from 2.5% to 4.0%, depending on length of project and if all of the categories are included in a builder’s budget. Based on industry standard, we have used 3.0% for general and administrative expenses. This expense category is spread evenly over the entire sellout period.

Marketing and Sale

These expenses typically consist of advertising and promotion, warranty, model complex operation (maintenance, utilities, security), closing costs, sales trailer, sales office construction and operations (hostess, office supplies, telephone, computer lease), signs, models, restoration to production units and sales commissions. The expenses are expressed as a percentage of the gross sales revenue.

The range of marketing and sale expenses found in comparable projects is 5.0% to 6.5%. Considering the specifics of the subject property, a figure of 5.0%, or 3.0% for marketing and 2.0% for sales, is used in the marketing and sales expense categories.

Entrepreneurial Incentive and Discount Rate

The project yield rate is the rate of return on the total un-leveraged investment in a development, including both equity and debt. The leveraged yield rate is the rate of return to the “base” equity position when a portion of the development is financed. The “base” equity position represents the total equity contribution. The developer/builder may have funded all of the equity contribution, or a consortium of investors/builders as in a joint venture may fund it. Most surveys indicate that the threshold project yield requirement is about 20% to 30% for production home type projects.

Instances in which project yields may be less than 20% is profit participation deals in master planned communities where the master developer limits the number of competing tracts.

According to a leading publication within the appraisal industry, the Korpacz Real Estate Investor Survey¹⁷, discount rates for land development ranged from 12.00% to 25.00%, with an average of 18.15% during Fourth Quarter 2006. This represents no change from Second Quarter 2006 or Fourth Quarter 2005. These rates are free-and-clear of financing, are inclusive of developer's profit, and assume entitlements are in place. According to the Korpacz survey, discount rates for projects that lack entitlements are typically increased between 300 and 600 basis points.

The discount rates are based on a survey that includes residential, office, retail and industrial developments. Participants in the survey indicate the highest expected returns are on large-scale, unapproved developments. The low end of the range was extracted from projects where certain development risks had been lessened or eliminated. Several respondents indicate they expect slightly lower returns when approvals/entitlements are already in place.

The project yield rate is compared with a developing in-house database of project yield rates for reasonableness. Developer surveys conducted during the current real estate cycle have elicited the following responses:

John Bacigalupi of Beazer Homes indicated the static profit expectation was 20% during the period of expansion (2000-2005), but it is now 10% to 15% given the recent moderation/stabilization in the residential market.

Mike Grant of Premier Homes – IRRs are generally between 15-20%, and static profits generally around 12%. Most properties purchased by Premier Homes are unimproved with entitlements in place and ready for development.

Chris Downey of Hon Development - Minimum IRR requirements are 20-25%. For an 8 to 10 year cash flow, the return would be higher - say in the mid to upper 20's. Factors to consider in the estimation of the IRR include the upside potential, such as the potential to increase density, cut costs, etc. Hon Development has participated in both smaller scale residential community development and very large scale; full-integrated master planned community development with a wide variety of user types.

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Higher profits are generally required for longer construction and sellout periods as well as riskier projects. Profit is site specific with a number of factors to consider. These include but are not limited to the following:

- Entitlements
- Physical status of the property (raw/finished/partially finished)
- Moratoriums
- Endangered species
- Price range of the proposed units
- Construction/absorption period
- Location
- Amenities such as golf course orientation or views
- Future competition

¹⁷ Korpacz Real Estate Investor Survey. PricewaterhouseCoopers, 4th Quarter 2006, Volume 19, Number 4.

Profit is estimated based on the perspective of a new buyer, not the current owner. The profit must be sufficient to attract investment based on the relative risks of the project.

While the subject property is still considered to exhibit a certain degree of risk, the positive attributes of the subject include: 1) the entitlements for the subject development, 2) the stable market acceptance exhibited by sales within other subdivisions in the area, 3) the population and employment trends for the area, and 4) the assumption of completion of facilities to be financed by Diamond Creek Villages Community Facilities District No. 1 (Series 2007 bonds). Factors that increase the risk associated with the subject property include moderating market conditions, which appear to be impacting pricing and absorption rates.

Based on the specifics of the mixed-use component of the subject property, a static profit of 10.00% and a discount rate (cost of funds) of 6.25% are concluded. The discount rate equates to equates to the current Federal Funds Rate of 5.25%, plus one point.

Safe Rate

During the quarters of the discounted cash flow analysis that construction is being completed, the negative cash flows are discounted at a safe rate. The safe rate is the rate of return available on safe, liquid accounts. These funds are committed to the project. The safe rate can be likened to a sinking fund factor – i.e. if, based on an estimated 5.0% safe rate, at the end of a year a \$1.00 is needed than \$0.95 must be invested today. The safe rate of 5.0% used in this analysis is based on the market rate of T-bills.

Conclusion of Revenue for the Mixed-Use Component

After deriving the four components of the land residual analysis, the discounted cash flow and hypothetical market value conclusion of the 6.52-acre mixed use site is offered on the following page. The discounted cash flow analysis is calculated on a quarterly basis, with sales of the condominiums and commercial building occurring after a two-year construction period. The property tax calculation and discount rate have been adjusted to a quarterly basis as well. This conclusion of hypothetical market value serves as the revenue for the mixed-use component of the subject property.

REVENUE OF THE MIXED-USE COMPONENT												
Assumptions:												
Component		No. of Units/SP		Average Sale Price		Aggregate Value		General and Administrative				
Construction in Progress		Units		SP		Value		Cost of Funds				
Construction in Progress		Units		SP		Value		Cost of Funds				
Construction in Progress		Units		SP		Value		Cost of Funds				
Construction in Progress		Units		SP		Value		Cost of Funds				
Construction in Progress		Units		SP		Value		Cost of Funds				
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Construction in Progress		Units		SP		Value		Cost of Funds				
Construction in Progress		Units		SP								

The conclusion of revenue for the mixed-use component of the subject property is \$20,850,000, or \$73.41 per square foot of land area (\$20,850,000 ÷ 6.52 acres ÷ 43,560 sf/acre). There are several two to three-story condominium and apartment conversion projects throughout the Roseville/Rocklin submarket; however, a mixed-use project such as that proposed/approved for the subject will be unique to the area. These types of developments, both planned and existing, are more readily found in higher density urban submarkets, such as the Central Business District and Midtown areas of Sacramento. As a supporting indicator of value, the table below arrays several sales of properties in the Downtown Sacramento area that transferred with entitlements for multi-story, mixed-use (residential and commercial) development.

No.	Property Identification	Sale Date	Sale Price	Land Area (Acre / SF)	Price per SF	PV of Bonds	Zoning
1	1709 S Street Sacramento APN: 009-0095-007	Nov-06	\$600,000	<u>0.147</u> 6,400	\$93.75	\$0	RMX
2	1818 18th Street Sacramento APN: 009-0095-011	Nov-06	\$2,100,000	<u>0.588</u> 25,600	\$82.03	\$0	RMX
3	1600 H Street Sacramento APN: 006-0063-001 and 002	Jun-06	\$2,885,000	<u>0.441</u> 19,200	\$150.26	\$0	C-2
4	1225 D Street Sacramento APN: 002-0082-010	Jun-05	\$520,000	<u>0.147</u> 6,400	\$81.25	\$0	R3
5	1517 I Street Sacramento APN: 006-0061-008 and 009	Feb-05	\$1,500,000	<u>0.367</u> 16,000	\$93.75	\$0	C2
6	1616 I Street Sacramento APN: 006-0064-013	Feb-05	\$3,100,000	<u>0.73</u> 32,000	\$96.88	\$0	C-2

Given the subject’s suburban location relative to these sales, in addition to the projected lower price points for the residential units in comparison to the developments in the Downtown market, it is expected the concluded value per square foot would be lower than the indication of the comparables. Additionally, the subject’s mixed-use site measures 6.52 acres, whereas each of these properties contains less than one acre of land area. In general, the market exhibits an inverse relationship between pricing and land area such that larger parcels typically sell for less per square foot than smaller parcels, all else being equal. While these transactions are deemed relevant, the land residual analysis is considered most applicable in the valuation since the sale comparables are located outside the subject’s immediate area.

CONCLUSION OF REVENUE

To restate, the total revenue for the subject property, which will be incorporated into the discounted cash flow analysis, is detailed in the table below.

Tax Zone	Component	Conclusion of Revenue
Zone 1	Single-Family Residential - 131 Lots	\$18,340,000
Zone 2	Townhouse (MDR) - 8 Lots	\$600,000
Zone 3	Mixed-Use - 6.52 Acres Designated for 352 Condominiums and 75,000 Square Feet of Retail Space	\$20,850,000

ABSORPTION ANALYSIS

In this section of the report, we will discuss the absorption period (time) and summarize the annual disposition of the revenue components. Absorption statistics for each of the individual components are also located in the *Market Overview* sections of this report. The following discussions provide supplemental information utilized to project sell-off of the components.

In developing an estimate of the absorption period for the subject property, we have attempted to consider both the impacts for present market conditions as well as anticipated changes in the market. Real estate is cyclical in nature, and it is difficult to accurately forecast specific demand over a projected absorption period. Estimating absorption is based on several factors. One consideration is the past experience of local residential developers marketing similar projects. This analysis is best measured by historic absorption rates for lots in the Northern California Region. The continued demand for single-family homes in the subject’s market area, coupled with the limited supply of entitled land near ready for development, should bode well for the subject property.

California’s Central Valley, which includes both the Sacramento and San Joaquin Valleys, has achieved significant absorption of near ready for development residential land. For instance, in the city of Lincoln, in south Placer County, is the Lincoln Crossing master planned community. This development is located just west of State Highway 65, south of Moore Road, and incorporates 1,066 acres of land. Lincoln Crossing is being developed in two phases, bisected by the proposed State Highway 65 Bypass, scheduled to begin this year. Phase I includes 541 acres north of the State Highway 65 Bypass and will include 1,138 single-family residential lots, two school sites, 10 acres of multifamily residential land, 17.9 acres of commercial land and 8 acres of office land. Development of Phase I was recently completed. Phase II, which includes 525 acres south of the proposed State Highway 65 Bypass, contains an additional 1,555 single-family residential lots, 17.6 acres of commercial land, and an 8-acre school site. The balance, 54 acres, will be used as right-of

way to support the Bypass. Phase II development began in Summer 2003, with completion in late-2004. Shortly after entering the market, 828 lots within Phase I of Lincoln Crossing were sold within one year to merchant builders, including KB Homes, Centex Homes and Morrison Homes.

As merchant builders have looked to offer more affordable homes in outlying areas proximate to Sacramento, major activity has occurred in the Plumas Lake Specific Plan Area of Yuba County (located approximately 25 minutes north of Sacramento), which contains over 5,200 acres of land proposed to be developed with more than 12,000 residences over the next 20 years. Despite concerns about levee stability in the area, merchant builders have not shown pause. Most of the activity has occurred in the southern area of the Specific Plan, which currently is being developed by Cresleigh Homes (749 lots), California Homes (599 lots), Rio Del Oro (Yuba LLC) (372 lots and approximately 70 acres of proposed commercial land), Beazer Homes (959 lots), Lennar Renaissance (371 lots), Towne Development (227 lots) and Cassano Kamilos Homes (121 lots). With the exception of Rio Del Oro (Yuba LLC), who is a master developer within the southern Plumas Lake Specific Plan Area, all other merchant builders listed purchased their holdings between 2002 and 2004. Beazer Homes acquired its 846 lots through three separate bulk lot transactions, while Cresleigh Homes, California Homes, Lennar Renaissance, Towne Development and Cassano Kamilos Homes purchased their holdings in bulk via a single transaction.

In March 2005, the proposed Bickford Ranch master planned community, which is located in the southern portion of Placer County, just east of the city limits of Lincoln, sold from Lennar to SunCal for \$210,000,000. The Bickford Ranch Specific Plan Area comprises three development communities, the Meadows, the Ridges and Heritage Ridge. The Meadows, located at the base of the development, is divided into seven residential areas with 22 lots ranging from three to ten acres. The Ridges community is situated along the sloping portions of the development and contains 782 detached single-family residential lots, 66 attached townhouse lots and a multifamily residential parcel designated for 106 affordable housing units for age-restricted residents. Heritage Ridge is located along the ridge of the Bickford Ranch development and consists of 19 residential areas with 920 age-restricted single-family residential lots offering significant views of the Sacramento Valley and downtown Sacramento. Heritage Ridge will also include an 18-hole championship golf course. The Bickford Ranch master planned community will include a 9.7-acre commercial site. Under the terms of the purchase and sale agreement, SunCal will sell back to US Homes (Lennar) the 920 lots comprising the Heritage Ridge component of Bickford Ranch, along with the land designated for the golf course.

The Westpark master planned community is located in the city of Roseville and will include the development of 3,566 single-family residential lots (including 704 age-restricted and 85 affordable housing units), a multifamily residential component encompassing 694 developable units (including 341 affordable housing units), three commercial sites containing a combined 18.4 acres, a business professional (office) site measuring 10.5 acres, and three industrial sites totaling 108.5 acres. The

entire Westpark development transferred in bulk from Westpark Associates to PL Roseville, LLC for \$410 million in March 2005. The project was marketed for less than one year.

Adjacent to the Westpark master planned community is Fiddymont Ranch, developed by Signature Homes. This community will consist of 3,149 single-family residential lots, a multifamily residential component encompassing 1,005 developable units, five commercial sites totaling 30.1 acres, and a business professional (office) site containing 9.1 acres of land area. Four villages sold to merchant builders within one year, with each village receiving multiple offers. Additionally, several villages within Phase II of the Fiddymont Ranch development have recently been placed under contract.

One of the more convincing observations suggesting stable demand for residential land in the subject's immediate area is the sale of the single-family component of the subject property to Centex Homes. Please reference the *Property Description and History* section for details relating to this transaction.

In recent years, demand for high-density residential product in the Sacramento region has been stable to increasing, particularly in light of the escalating median home price, which forces entry-level homebuyers to seek housing in outlying areas or find alternate forms of housing. Generally, as single-family residential prices continue to increase, the affordability of the entry-level housing market decreases, creating a demand for multifamily or attached residential housing (e.g., condominiums and townhouses). Taking into account the lack of entry-level product in the immediate area, it is anticipated the condominiums and townhouses proposed for the subject development will achieve steady demand. Additionally, the proposed residential development in the immediate area will generate the need for supporting uses. As residential development expands, so does the demand for commercial-oriented uses.

Even with the overall number of lots slated for development, it appears demand for residential land in the subject's immediate area outweighs current and projected supply. For an absorption discussion relating to new home sales in the Sacramento region, please reference the *Housing Market Overview* sections of this report. With the robust growth experienced in previous years, most projects have benefited, experiencing strong increases in prices and absorption rates. In the current market, new home prices are not sustaining the same level of appreciation as they have in recent years, especially considering the incentives and concessions being offered by builders. Furthermore, absorption figures are lower compared to the strong growth experienced over the past few years. However, the residential market is not anticipated to remain in the current state of moderation over the long-term. Additionally, it is noted the amount of entitled residential land that is near-ready for development in the subject's market area is limited. Considering the development timeline and scope of the subject development, it is estimated all of the components would transfer within one year of exposure to the market.

While there are several two to three-story condominium and apartment conversion projects throughout the Roseville/Rocklin submarket, a mixed-use project such as that proposed for the subject will be unique to the area. These types of developments, both planned and existing, are more readily found in higher density urban submarkets, such as the Central Business District and Midtown areas of Downtown Sacramento. As such, the sale of the mixed-use site is reflected in the final quarter of the discounted cash flow analysis.

EXPENSES

General and Administrative

General and administrative expenses consist of management fees, liability and fire insurance, inspection fees, appraisal fees, legal and accounting fees, and copying or publication costs. This expense category typically ranges from 2.5% to 4.0% of revenue, depending on the specifics of the development. Based on industry surveys, we have used 3.0% for general and administrative expenses. This expense category is spread evenly over the entire sellout period.

Marketing and Sales

These expenses typically consist of advertising and promotion, closing costs, sales operations, and sales commissions. The expenses are expressed as a percentage of the gross sales revenue. The range of marketing and sales expenses typically found in projects within the subject's market area is 5.0% to 6.5%. Considering the specifics of the subject property, a figure of 5.0%, or 3.0% for marketing and 2.0% for sales is used in the marketing and sales expense category.

Interim Ad Valorem Taxes and Assessments

This appraisal is predicated on, and assumes, a sale of the appraised property. Interim ad valorem real estate taxes are based on the subject's current tax rate (1.0508%). The taxes are anticipated to increase 2.0% annually. As the parcels are sold off, the average tax liability is estimated and then applied to the unsold inventory. Direct charges are also included in the estimate of property taxes.

Mello-Roos Community Facilities District (CFD)

The Diamond Creek Villages CFD No. 1 will have one year of capitalized interest. Therefore, there will be no special taxes associated with this District in the first year. In the *Absorption Analysis*, we projected the individual components would transfer within one year of exposure to the market. Under this premise, no deductions are made for special tax payments relating to the Diamond Creek Villages CFD No. 1 bond.

As detailed in the *Sources and Uses* document, prepared by Piper Jaffray and Co. and dated January 22, 2007, total payments for the North Roseville CFDs #1, #2 and #3 are expected to amount to \$479 per residential unit, with no payments allocated to the commercial component.

ENTREPRENEURIAL INCENTIVE AND DISCOUNT RATE

The project yield rate is the rate of return on the total un-leveraged investment in a development, including both equity and debt. The leveraged yield rate is the rate of return to the "base" equity position when a portion of the development is financed. The "base" equity position represents the total equity contribution. The developer/builder may have funded all of the equity contribution, or a consortium of investors/builders as in a joint venture may fund it. Most surveys indicate that the threshold project yield requirement is about 20% to 30% for production home type projects. Instances in which project yields may be less than 20% is profit participation deals in master planned communities where the master developer limits the number of competing tracts.

According to a leading publication within the appraisal industry, the Korpacz Real Estate Investor Survey¹⁸, discount rates for land development ranged from 12.00% to 25.00%, with an average of 18.15% during Fourth Quarter 2006. This represents no change from Second Quarter 2006 or Fourth Quarter 2005. These rates are free-and-clear of financing, are inclusive of developer's profit, and assume entitlements are in place. According to the Korpacz survey, discount rates for projects that lack entitlements are typically increased between 300 and 600 basis points.

The discount rates are based on a survey that includes residential, office, retail and industrial developments. Participants in the survey indicate the highest expected returns are on large-scale, unapproved developments. The low end of the range was extracted from projects where certain development risks had been lessened or eliminated. Several respondents indicate they expect slightly lower returns when approvals/entitlements are already in place.

The project yield rate is compared with a developing in-house database of project yield rates for reasonableness. Developer surveys conducted during the current real estate cycle have elicited the following responses:

John Bacigalupi of Beazer Homes indicated the static profit expectation was 20% during the period of expansion (2000-2005), but it is now 10% to 15% given the recent moderation/stabilization in the residential market.

Mike Grant of Premier Homes – IRRs are generally between 15-20%, and static profits generally around 12%. Most properties purchased by Premier Homes are unimproved with entitlements in place and ready for development.

¹⁸ Korpacz Real Estate Investor Survey, PricewaterhouseCoopers, 4th Quarter 2006, Volume 19, Number 4.

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Mark Palkowitsh of MSP California, LLC - For large land deals from raw unentitled to tentative map stage, he would expect an IRR of 35%, unleveraged or leveraged. From tentative map to pad sales to merchant builders, an unleveraged IRR of 25% to 30% would be expected.

Rick Nieman of GFC - Their IRR requirements for land with some entitlements is 18% to 22%, unleveraged. This return would be for developing and marketing the pads to merchant builders. They would anticipate an IRR of 30% for raw unentitled land with some entitlement "clean-up" involved. A recent example of this was the purchase of an industrial subdivision where they changed the entitlements to residential.

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- Physical status of the property (raw/finished/partially finished)
- Moratoriums
- Endangered species
- Price range of the proposed units
- Construction/absorption period
- Location
- Amenities such as golf course orientation or views
- Future competition

Profit is estimated based on the perspective of a new buyer, not the current owner. The profit must be sufficient to attract investment based on the relative risks of the project.

While the subject property is still considered to exhibit a certain degree of risk, the positive attributes of the subject include: 1) the entitlements for the subject development, 2) the stable market acceptance exhibited by sales within other subdivisions in the area, 3) the population and employment trends for the area, and 4) the assumption of completion of facilities to be financed by Diamond Creek Villages Community Facilities District No. 1 (Series 2007 bonds). Factors that increase the risk associated with the subject property include moderating market conditions, which appear to be impacting pricing and absorption rates

Based on the specifics of the subject property, a static profit of 10.00% and a discount rate (cost of funds) of 6.25% are concluded. The discount rate equates to equates to the current Federal Funds Rate of 5.25%, plus one point.

CONCLUSION

After deriving the four components of the subdivision development approach, the discounted cash flows and hypothetical market value conclusion of the subject property is offered on the following page.

Assumptions:					
Component	No. of Units/Acre	Average Value Per Unit/Acre	Aggregate Value		
Single-Family Residential (SFR)	131	\$140,000	\$18,340,000	General and Administrative	3.0%
Townhouse (MDR)	8	\$75,000	\$600,000	Marketing and Sales	5.0%
6.52 Acre Mixed-Use Site	6.52	\$3,197,853	\$20,850,000	Annual Increase in Property Tax	2.0%
				First Year Taxes/Unit (SFR)	\$1,150
				First Year Taxes/Unit (Townhouse)	\$616
				First Year Taxes/Acre (Mixed-Use)	\$26,264
				CFD Payments/Unit	\$479
				Developer's Incentive (Profit)	10.00%
				Discount Rate (Cost of Funds)	6.25%
				Safe Rate (Negative Cash Flows)	5.00%
		Total	\$39,790,000		
Income and Expense Analysis:					
Quarter	1	2	3	4	Total
Inflation Factor:	1.0000	1.0075	1.0150	1.0225	
Sales (SFR):	0	131	0	0	131
Inventory (SFR):	131	0	0	0	
Sales (Townhouse):	0	0	8	0	8
Inventory (Townhouse):	8	8	0	0	
Sales (Mixed-Use):	0.00	0.00	0.00	6.52	6.52
Inventory (Mixed-Use):	6.52	6.52	6.52	0.00	
Sales Revenue (SFR)	\$0	\$18,477,550	\$0	\$0	\$18,477,550
Sales Revenue (Townhouse)	\$0	\$0	\$609,000	\$0	\$609,000
Sales Revenue (Mixed-Use)	\$0	\$0	\$0	\$21,319,125	\$21,319,125
Total Sales Revenue	\$0	\$18,477,550	\$609,000	\$21,319,125	\$40,405,675
Expenses					
General and Administrative	(\$303,043)	(\$303,043)	(\$303,043)	(\$303,043)	(\$1,212,170)
Marketing and Sales	\$0	(\$923,878)	(\$30,450)	(\$1,065,956)	(\$2,020,284)
Real Estate Taxes	(\$81,700)	(\$81,700)	(\$44,043)	(\$42,811)	(\$250,253)
CFD Special Taxes	(\$58,797)	(\$58,797)	(\$43,110)	(\$42,152)	(\$202,857)
Total Expenses	(\$443,540)	(\$1,367,417)	(\$420,645)	(\$1,453,962)	(\$3,685,563)
Developer's Incentive (Profit)	\$0	(\$1,847,755)	(\$60,900)	(\$2,131,913)	(\$4,040,568)
NET INCOME	(\$443,540)	\$15,262,378	\$127,455	\$17,733,251	\$32,679,544
Present Value Factor	0.98765	0.96947	0.95455	0.93987	
Discounted Cash Flow	(\$438,064)	\$14,796,379	\$121,662	\$16,666,900	\$31,146,877
Net Present Value		\$31,146,877			
CONCLUSION OF VALUE BY DISCOUNTED CASH FLOW ANALYSIS (RD)					
					\$31,100,000

The purpose of this appraisal has been to estimate the hypothetical market value (*fee simple estate*) of the properties in the District, assuming the completion of the primary infrastructure and facilities to be financed by the Diamond Creek Villages Community Facilities District No. 1 bond issuance (Series 2007 bonds). The hypothetical market value estimate also accounts for the impact of the lien of the Special Tax securing the bonds. After analyzing current market information and trends, and in accordance with the definitions, certifications, assumptions and significant factors contained within the attached document (please refer to pages 8 through 10), it is our opinion the hypothetical market value of the subject property, as of February 22, 2007, is...

\$31,100,000

ADDENDA

RATE AND METHOD OF APPORTIONMENT

EXHIBIT A

CITY OF ROSEVILLE DIAMOND CREEK COMMUNITY FACILITIES DISTRICT No. 1 (PUBLIC FACILITIES)

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

Special Taxes applicable to each Assessor's Parcel in Diamond Creek Community Facilities District No. 1 (Public Facilities) [herein "CFD No. 1" or "the CFD"] shall be levied and collected according to the tax liability determined by the City Council of the City of Roseville, through the application of the appropriate amount or rate for Taxable Property, as described below. All of the property in CFD No. 1, unless exempted by law or by the provisions of Section H below, shall be taxed for the purposes, to the extent, and in the manner herein provided.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

"Acre" or "Acreage" means the land area of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable Final Map or other Development Plan.

"Act" means the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, (commencing with Section 53311), Division 2 of Title 5 of the California Government Code.

"Administrative Expenses" means any or all of the following: the fees and expenses of any fiscal agent or trustee (including any fees or expenses of its counsel) employed in connection with any Bonds, and the expenses of the City carrying out its duties with respect to CFD No. 1 and the Bonds, including, but not limited to, levying and collecting the Special Taxes, the fees and expenses of legal counsel, charges levied by the County, costs related to annexing property into the CFD, costs related to property owner inquiries regarding the Special Taxes, costs associated with complying with any continuing disclosure requirements for the Bonds and the Special Taxes, and all other costs and expenses of the City in any way related to the establishment or administration of the CFD.

"Administrator" means the person or firm designated by the City to administer the Special Taxes according to this RMA.

"Affordable Housing Director" means, at any point in time, the person within the City who serves as head of the department that is in charge of the City's affordable housing program.

"Affordable Unit" means a Unit built within Tax Zone #3 for which an Affordable Purchase Development Agreement has been recorded on title of the property designating the Unit as affordable and resulting in a deed of trust on the Parcel in favor of the City. The City's Affordable Housing Director shall determine which Units are designated as Affordable Units and maintain an Affordable Unit Listing which shall identify all such Units. The Affordable Unit Listing shall also be updated to reflect those Units no longer qualifying as Affordable Units. The Affordable Unit Listing, which shall contain all qualifying Affordable Units as of April 30, shall be made available to the Administrator by July 1 of each year for purposes of determining the Maximum Special Tax for Parcels pursuant to Sections C and E below.

"Annual Tax Escalation Factor" means, in each Fiscal Year following the Base Year, an increase in the Maximum Special Tax in an amount equal to two percent (2%) of the Maximum Special Tax in effect in the prior Fiscal Year.

"Assessor's Parcel" or "Parcel" means a lot or parcel shown on an Assessor's Parcel Map with an assigned Assessor's Parcel number.

"Assessor's Parcel Map" means an official map of the County Assessor designating parcels by Assessor's Parcel number.

"Authorized Facilities" means those facilities that are authorized to be funded by CFD No. 1.

"Authorized Services" means those services that are authorized to be funded by CFD No. 1.

"Base Year" means Fiscal Year 2007-08.

"Bonds" means bonds or other debt (as defined in the Act), whether in one or more series, issued, insured or assumed by CFD No. 1 related to public infrastructure and/or improvements that are authorized to be funded by CFD No. 1.

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

"Buildable Lot" means an individual lot within a Final Map for which a building permit may be issued without further subdivision of such lot.

"Capitalized Interest" means funds in any capitalized interest account available to pay debt service on Bonds.

"CFD Formation" means the date on which the Resolution of Formation to form CFD No. 1 was adopted by the City Council.

“CFD Maximum Facilities Special Tax Revenue” means the aggregate Maximum Facilities Special Tax revenue that can be collected from all property within CFD No. 1. The CFD Maximum Facilities Special Tax Revenue at the time of CFD Formation is shown in Attachment 2 of this RMA and may be reduced due to prepayments in future Fiscal Years.

“City” means the City of Roseville.

“City Council” means the City Council of the City of Roseville, acting as the legislative body of CFD No. 1.

“Commercial Floor Area” means the square footage of commercial area within a building, including, but not limited to, area used for retail, restaurant, office, and service operations. The Commercial Floor Area shall be determined by the Administrator by reference to the site permit, condominium plan, or building plan for the building, or the original construction building permits issued for individual Parcels within the building.

“County” means the County of Placer.

“Developed Property” means, in any Fiscal Year, the following:

- for Single Family Detached Property, all Parcels for which a Final Map was recorded prior to May 1 of the preceding Fiscal Year
- for Single Family Attached Property, all Parcels for which a use permit or building permit for new construction of a residential structure was issued prior to May 1 of the preceding Fiscal Year.
- for Multi-Family Property, all Parcels for which a use permit or building permit for new construction of a residential structure was issued prior to May 1 of the preceding Fiscal Year.
- for Non-Residential Property, all Parcels for which a building permit for new construction of a building was issued prior to May 1 of the preceding Fiscal Year.

“Development Plan” means a condominium plan, apartment plan, site plan or other development plan that identifies such information as the type of structure, acreage, square footage, and/or number of Units that are approved to be developed on Taxable Property within the CFD. This information may be obtained from the City’s Development Activity Updates, which are published periodically by the City’s Planning Department.

“Expected Commercial Revenue” means the Required Revenue within Tax Zone #3 that is expected to be generated by the Initial Commercial Tax on Commercial Floor Area built within that Tax Zone, as shown in Attachment 2.

“Expected Residential Revenue” means the total Required Revenue for Tax Zone #3 less the Expected Commercial Revenue.

“Expected Units” means the total number of Units expected to be built within Tax Zone #1 and Tax Zone #2 at the time of CFD Formation, as identified in Attachment 2 of this RMA.

“Facilities Special Tax” means a special tax levied in any Fiscal Year to pay the Facilities Special Tax Requirement.

“Facilities Special Tax Requirement” means the amount necessary in any Fiscal Year (i) to pay principal and interest on Bonds, (ii) to create or replenish reserve funds, (iii) to pay Administrative Expenses, (iv) to cure any delinquencies in the payment of principal or interest on indebtedness of CFD No. 1 which have occurred in the prior Fiscal Year or (based on delinquencies in the payment of the Facilities Special Taxes which have already taken place) are expected to occur in the Fiscal Year in which the tax will be collected, and (v) to pay construction expenses to be funded directly from Facilities Special Tax proceeds. The amounts referred to in clauses (i) and (ii) of the preceding sentence may be reduced in any Fiscal Year by: (i) interest earnings on or surplus balances in funds and accounts for the Bonds to the extent that such earnings or balances are available to apply against debt service pursuant to a Bond indenture, Bond resolution, or other legal document that sets forth these terms; (ii) proceeds received by CFD No. 1 from the collection of penalties associated with delinquent Facilities Special Taxes; and (iii) any other revenues available to pay debt service on the Bonds as determined by the Administrator.

“Final Map” means a final map, or portion thereof, approved by the City pursuant to the Subdivision Map Act (California Government Code Section 66410 *et seq*) that creates Buildable Lots. The term “Final Map” shall not include any subdivision map or portion thereof, that does not create Buildable Lots, including Assessor’s Parcels that are designated as remainder parcels.

“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 on the following June 30.

“Flat” means any Unit within Tax Zone #3 that is not a Penthouse Condominium or Two-Story Condominium, as defined herein.

“Indenture” means the bond indenture, fiscal agent agreement, trust agreement, resolution or other instrument pursuant to which Bonds are issued, as modified, amended, and/or supplemented from time to time, and any instrument replacing or supplementing the same.

“Initial Commercial Tax” means, in Fiscal Year 2007-08, \$0.36 per square foot of Commercial Floor Area within Tax Zone #3, which amount shall be adjusted beginning in Fiscal Year 2008-09 and each Fiscal Year thereafter, by the Annual Special Tax Escalation Factor.

“Land Use Class” means, individually, Developed Property and Undeveloped Property.

“Maximum Facilities Special Tax” means the greatest amount of Facilities Special Tax that can be levied on an Assessor’s Parcel in any Fiscal Year determined in accordance with Sections C and E below.

“Maximum Services Special Tax” means the greatest amount of Services Special Tax that can be levied on an Assessor’s Parcel in any Fiscal Year determined in accordance with Section D below.

“Maximum Special Tax” means, collectively, the Maximum Facilities Special Tax and Maximum Services Special Tax.

“Multi-Family Property” means, in any Fiscal Year, all Parcels in CFD No. 1 for which a building permit was issued or may be issued for construction of a residential structure with multiple units that share common walls, all of which are offered for rent to the general public.

“Penthouse Condominium” means any Unit on the top floor of the residential structure built in Tax Zone #3 that is greater than or equal to 1,000 square feet of living space.

“Public Property” means any property within the boundaries of CFD No. 1 that is owned by the federal government, State of California, County, City, or other public agency.

“Required Revenue” means the Maximum Facilities Special Tax revenue that, at the time of CFD Formation, was expected to be generated from Taxable Property within each Tax Zone, as identified in Attachment 2 of this RMA. Such amount may be reduced due to prepayments in future Fiscal Years. Required Revenue shall also mean the Maximum Facilities Special Tax assigned to a remainder Parcel within a Final Map pursuant to Sections C.1b and C.2b below.

“RMA” means this Rate and Method of Apportionment of Special Tax.

“Services Special Tax” means a Special Tax levied in any Fiscal Year to pay for Authorized Services.

“Single Family Attached Property” means, in any Fiscal Year, all Buildable Lots in CFD No. 1 for which a building permit was issued or may be issued for construction of a residential structure consisting of two or more Units that share common walls and are offered as for-sale Units, including such residential structures that meet the statutory definition of a condominium contained in Civil

Code Section 1351.

“Single Family Detached Property” means, in any Fiscal Year, all Parcels in CFD No. 1 for which a building permit was issued or may be issued for construction of a Unit that does not share a common wall with another Unit.

“Special Tax” means, collectively, the Facilities Special Tax and the Services Special Tax.

“Taxable Property” means all of the Assessor’s Parcels within the boundaries of CFD No. 1 which are not exempt from the Special Tax pursuant to law or Section H below.

“Taxable Public Property” means, in any Fiscal Year, all Parcels of Public Property within CFD No. 1 that, based on a tentative map or other Development Plan, were expected to be Taxable Property and, based on this expectation, Maximum Special Taxes were assigned to the Parcels in prior Fiscal Years.

“Tax Zone” means one of the three mutually exclusive geographic areas identified in Attachment 1 of this RMA.

“Two-Story Condominium” means any Unit within the residential structure built in Tax Zone #3 that has two floors of living space and has a dedicated garage for the exclusive use of the owner of the Unit.

“Undeveloped Property” means, in any Fiscal Year, all Parcels of Taxable Property within CFD No. 1 that are not yet Developed Property.

“Unit” means (i) for Single Family Detached Property, an individual single-family detached unit, (ii) for Single Family Attached Property, an individual residential unit within a duplex, triplex, fourplex, townhome, or condominium structure and (iii) for Multi-Family Property, an individual apartment unit.

B. DATA FOR ADMINISTRATION OF THE SPECIAL TAX

On or about July 1 of each Fiscal Year, the Administrator shall identify the current Assessor’s Parcel numbers for all Parcels of Taxable Property within CFD No. 1. The Administrator shall also determine: (i) whether each Assessor’s Parcel of Taxable Property is Developed Property or Undeveloped Property, (ii) for Parcels of Single Family Attached Property, the number of Units on each Parcel, (iii) the number of Affordable Units, Flats, Penthouse Condominiums, and Two-Story Condominiums within Tax Zone #3, (iv) the Commercial Floor Area on each Parcel, and (v) the Facilities Special Tax Requirement. For Single Family Attached Property, the number of Units shall be determined by referencing the Development Plan for the property.

In any Fiscal Year, if it is determined that: (i) a parcel map for property in CFD No. 1 was recorded after January 1 of the prior Fiscal Year (or any other date after which the Assessor will not incorporate the newly-created parcels into the then current tax roll), (ii) because of the date the parcel map was recorded, the Assessor does not yet recognize the new parcels created by the parcel map, and (iii) one or more of the newly-created parcels is in a different Land Use Class than other parcels created by the subdivision, the Administrator shall calculate the Special Tax separately for Developed Property and Undeveloped Property within the subdivided area, then levy the sum of these two amounts on the master Parcel that was subdivided by recordation of the parcel map.

Upon recordation of the condominium plan for property in Tax Zone #3, the Affordable Housing Director is to determine the Assessor's Parcels on which Affordable Units will be built. After May 1 of each Fiscal Year, the Administrator shall obtain the Affordable Unit Listing from the Affordable Housing Director to identify such Parcels.

C. CALCULATING THE MAXIMUM FACILITIES SPECIAL TAX

The Administrator shall apply the applicable subsection below to determine the Maximum Facilities Special Tax for each Parcel within each Tax Zone in CFD No. 1:

1. Tax Zone #1

Prior to recordation of a Final Map for property within Tax Zone #1, the Maximum Facilities Special Tax for Parcels within Tax Zone #1 shall be determined as follows:

- Step 1.** By reference to Attachment 2, identify the Required Revenue for Tax Zone #1.
- Step 2.** Divide the amount in Step 1 by the total Acreage of Taxable Property within Tax Zone #1 to calculate a Maximum Facilities Special Tax per Acre.
- Step 3.** Multiply the Maximum Facilities Special Tax per Acre from Step 2 by the Acreage of each Parcel of Taxable Property within Tax Zone #1 to determine the Maximum Facilities Special Tax for each Parcel for the Fiscal Year.

After recordation of a Final Map in Tax Zone #1, the Administrator shall apply the appropriate subsection below:

1a. Final Map Includes All Property in Tax Zone #1

Upon recordation of the Final Map, the Administrator shall divide the Required Revenue for Tax Zone #1 by the number of Buildable Lots created within the Final Map to determine the Maximum Facilities Special Tax for each Buildable Lot.

1b. Final Map Includes Only a Portion of the Property in Tax Zone #1

Upon recordation of the Final Map, the Administrator shall review the map provided in Attachment 1 to determine if the number of Buildable Lots within the Final Map area is equal to the Expected Units for that area. If the number of Buildable Lots is greater than or equal to the Expected Units, the Maximum Facilities Special Tax for each Buildable Lot shall be the Base Maximum Tax for Tax Zone #1 that is shown in Attachment 2.

If fewer Buildable Lots have been created, the Administrator must review current Development Plans for Tax Zone #1 to determine whether the total number of Units expected to be constructed within Tax Zone #1 has been reduced. If lots have shifted but the Expected Units will still be achieved, the Maximum Facilities Special Tax for each Buildable Lot within the Final Map will be the Base Maximum Tax for Tax Zone #1. If the total number of Units in Tax Zone #1 is expected to be less, the Administrator shall apply the following steps to determine the Maximum Facilities Special Tax for each Buildable Lot:

Step 1b.1: Divide the Required Revenue for Tax Zone #1 by the number of Buildable Lots that are now expected within Tax Zone #1 to determine the Maximum Facilities Special Tax for each Buildable Lot within the Final Map.

Step 1b.2: For the remaining Parcels of Taxable Property within Tax Zone #1 which are not yet Buildable Lots, multiply the amount calculated in Step 1b.1 by the number of Buildable Lots anticipated on each Parcel based on current Development Plans to calculate the Maximum Facilities Special Tax for each Parcel.

Once a Maximum Facilities Special Tax has been assigned to a Parcel of Taxable Property pursuant to Step 1b.2, such amount shall become the Required Revenue for the Parcel for purposes of allocating the Maximum Facilities Special Tax when a subsequent Final Map is recorded.

2. Tax Zone #2

Prior to recordation of a Final Map for property within Tax Zone #2, the Maximum Facilities Special Tax for Parcels within Tax Zone #2 shall be determined as follows:

Step 1. By reference to Attachment 2, identify the Required Revenue for Tax Zone #2.

Step 2. Divide the amount in Step 1 by the total Acreage of Taxable Property within Tax Zone #2 to calculate a Maximum Facilities Special Tax per Acre.

Step 3. Multiply the Maximum Special Tax per Acre from Step 2 by the Acreage of each Parcel of Taxable Property within Tax Zone #2 to determine the Maximum Facilities Special Tax for each Parcel for the Fiscal Year.

After recordation of a Final Map in Tax Zone #2, the Administrator shall apply the appropriate subsection below:

1a. Final Map Includes All Property in Tax Zone #2

Upon recordation of the Final Map, the Administrator shall divide the Required Revenue for Tax Zone #2 by the number of Buildable Lots created within the Final Map to determine the Maximum Facilities Special Tax for each Buildable Lot.

1b. Final Map Includes Only a Portion of the Property in Tax Zone #2

Upon recordation of the Final Map, the Administrator shall review the map provided in Attachment 1 to determine if the number of Buildable Lots within the Final Map area is equal to the Expected Units for that area. If the number of Buildable Lots is greater than or equal to the Expected Units, the Maximum Facilities Special Tax for each Buildable Lot shall be the Base Maximum Tax for Tax Zone #2 that is shown in Attachment 2.

If fewer Buildable Lots have been created, the Administrator must review current Development Plans for Tax Zone #2 to determine whether the total number of Units expected to be constructed within Tax Zone #2 has been reduced. If lots have shifted but the Expected Units will still be achieved, the Maximum Facilities Special Tax for each Buildable Lot within the Final Map will be the Base Maximum Tax for Tax Zone #2. If the total number of Units in Tax Zone #2 is expected to be less, the Administrator shall apply the following steps to determine the Maximum Facilities Special Tax for each Buildable Lot:

Step 1b.1: Divide the Required Revenue for Tax Zone #2 by the number of Buildable Lots that are now expected within Tax Zone #2 to determine the Maximum Facilities Special Tax for each Buildable Lot within the Final Map.

Step 1b.2: For the remaining Parcels of Taxable Property within Tax Zone #2 which are not yet Buildable Lots, multiply the amount calculated in Step 1b.1 by the number of Buildable Lots anticipated on each Parcel based on current Development Plans to calculate the Maximum Facilities Special Tax for each Parcel.

Once a Maximum Facilities Special Tax has been assigned to a Parcel of Taxable Property pursuant to Step 1b.2, such amount shall become the Required Revenue for the Parcel for purposes of allocating the Maximum Facilities Special Tax when a Final Map is recorded.

3. Tax Zone #3

a. Residential Land Uses

Prior to recordation of a condominium plan or other Development Plan that identifies the number, type and size of Units to be constructed within Tax Zone #3, the Maximum Facilities Special Tax for Parcels within Tax Zone #3 shall be determined as follows:

Step 1. By reference to Attachment 2, identify the Required Revenue for Tax Zone #3.

Step 2. Divide the amount in Step 1 by the total Acreage of Taxable Property within Tax Zone #3 to calculate a Maximum Facilities Special Tax per Acre.

Step 3. Multiply the Maximum Special Tax per Acre from Step 2 by the Acreage of each Parcel of Taxable Property within Tax Zone #3 to determine the Maximum Facilities Special Tax for each Parcel for the Fiscal Year.

After recordation of a Development Plan in Tax Zone #3 that identifies the number, type and size of Units to be built within the Tax Zone, the Administrator shall apply the following steps to determine the Maximum Facilities Special Tax for each Parcel within Tax Zone #3:

Step 1. By reference to Attachment 2, identify the Required Revenue for Tax Zone #3 and, *if the recorded Development Plan includes Commercial Floor Area*, subtract the Expected Commercial Revenue shown in Attachment 2 from the Required Revenue for Tax Zone #3 to calculate the Expected Residential Revenue.

Step 2. Based on information provided in the condominium plan or other Development Plan for Tax Zone #3, determine the number of Units within each Product Type shown in Table 1 below.

**TABLE 1
PRODUCT TYPE AND EQUIVALENT DWELLING UNIT FACTORS**

<i>Product Type</i>	<i>Equivalent Dwelling Unit Factor</i>
Flats	1.00 per Unit
Two-Story Condominium Units	1.50 per Unit
Penthouse Units	1.75 per Unit

Affordable Unit	0.50 per Unit
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Step 3. Multiply the number of Units expected within each Product Type by the assigned Equivalent Dwelling Unit (EDU) Factor for each Product Type to calculate the total EDUs created within the condominium plan.

Step 4. Divide the amount calculated in Step 1 by the number of EDUs calculated in Step 3 to determine the Maximum Facilities Special Tax per EDU.

Step 5. If (i) the Maximum Facilities Special Tax per EDU determined in Step 4 is less than or equal to \$750 in Fiscal Year 2007-08 dollars (to be escalated 2% per year thereafter) or if the Maximum Facilities Special Tax is greater than \$750 in Fiscal Year 2007-08 dollars (to be escalated 2% per year thereafter) but there is no Commercial Floor Area within the building, proceed to Step 6.

If the Maximum Facilities Special Tax per EDU calculated in Step 4 is greater than \$750 in Fiscal Year 2007-08 dollars (to be escalated 2% per year thereafter) and if there is Commercial Floor Area within the building, the Administrator shall apply the following steps:

Step 5a. Calculate the Special Tax revenue that can be generated from all Units within the building assuming a Maximum Facilities Special Tax of \$750 per EDU in Fiscal Year 2007-08 dollars (to be escalated 2% per year thereafter);

Step 5b. Subtract the amount calculated in Step 5a from the amount calculated in Step 1;

Step 5c. Divide the amount determined in Step 5b by the square footage of Commercial Floor Area within the building, which amount shall be included as part of the Maximum Facilities Special Tax per square foot of Commercial Floor Area as discussed further in Section C.3 b. below;

Step 5d. For purposes of Step 6 below, use a Maximum Special Tax per EDU of \$750 in Fiscal Year 2007-08 dollars, escalated 2% per year thereafter.

Step 6. Multiply the Maximum Facilities Special Tax per EDU from Step 5 by the EDU factor for each Product Type to determine the Maximum Facilities Special Tax per Unit within each Product Type.

Step 7. Determine the Product Type being constructed on each Parcel within Tax Zone #3 on which Units will be built and assign the appropriate Maximum Facilities Special Tax determined in Step 6 to each Parcel.

Once a Maximum Facilities Special Tax has been assigned to a Parcel, the Maximum Facilities Special Tax shall never be reduced regardless of changes in Product Type on the Parcel in future Fiscal Years.

b. Commercial Floor Area

The Maximum Facilities Special Tax for Commercial Floor Area within Tax Zone #3 shall be the sum of (i) the amount determined by dividing the Expected Commercial Revenue shown in Attachment 2 by the Commercial Floor Area created or to be created within Tax Area #3 pursuant to the appropriate Development Plan, and (ii) the amount determined in Step 5c above, if applicable. If no Commercial Floor Area is reflected in the Development Plan, the Required Revenue for Tax Zone #3 shall all be Expected Residential Revenue for purposes of applying Section C.3 a. above.

D. MAXIMUM SERVICES SPECIAL TAX

The Maximum Services Special Tax for all Parcels of Developed Property in Fiscal Year 2007-08 is \$18 per Unit (including Affordable Units) or Buildable Lot. The Services Special Tax shall only be levied on Single Family Detached Property, Single Family Attached Property, and Multi-Family Property within the CFD.

E. CHANGES TO THE MAXIMUM SPECIAL TAX

1. Annual Escalation of Special Taxes

Beginning in Fiscal Year 2008-09, and each Fiscal Year thereafter, the Maximum Facilities Special Tax and the Maximum Services Special Tax for each Parcel in CFD No. 1, and the Required Revenue for each Tax Zone, shall be adjusted by the Annual Special Tax Escalation Factor.

2. Affordable Units that Become Market-Rate Units

If, in any Fiscal Year, the Affordable Housing Director determines that a Unit in Tax Zone #3 that had previously been designated as an Affordable Unit no longer qualifies as such, the Affordable Housing Director shall update the Affordable Unit Listing by denoting the change in status of the Unit, together with the effective date thereof. The Maximum Facilities Special Tax on the Unit that no longer qualifies as an Affordable Unit shall be increased to double the amount that would have applied in that Fiscal Year if the Unit had remained as an Affordable Unit. In subsequent Fiscal

Years, this increased Maximum Facilities Special Tax shall continue to escalate two percent (2%) per year.

3. *Conversion of a Parcel of Public Property to Private Use*

If, in any Fiscal Year, a Parcel of Public Property is converted to private use, such Parcel shall be subject to the levy of the Special Tax. The Maximum Special Tax for each such Parcel shall be determined based on the average Maximum Special Tax per unit or acre for Parcels with similar land use designations, as determined by the Finance Director.

F. METHOD OF LEVY OF THE SPECIAL TAX

1. *Facilities Special Tax*

Each Fiscal Year, the Administrator shall determine the Facilities Special Tax Requirement for that Fiscal Year and levy the Facilities Special Tax on all Parcels of Taxable Property as follows:

- Step 1:* The Facilities Special Tax shall be levied proportionately on each Parcel of Developed Property within the CFD up to 100% of the Maximum Facilities Special Tax for each Parcel for such Fiscal Year until the amount levied on Developed Property is equal to the Facilities Special Tax Requirement prior to applying Capitalized Interest that is available under the applicable Indenture;
- Step 2:* If additional revenue is needed after Step 1 in order to meet the Facilities Special Tax Requirement after Capitalized Interest has been applied to reduce the Facilities Special Tax Requirement, the Facilities Special Tax shall be levied proportionately on each Assessor's Parcel of Undeveloped Property, up to 100% of the Maximum Facilities Special Tax for each Parcel for such Fiscal Year;
- Step 3:* If additional revenue is needed after Step 2, the Facilities Special Tax shall be levied proportionately on each Assessor's Parcel of Taxable Public Property, up to 100% of the Maximum Facilities Special Tax assigned to each Parcel.

2. *Services Special Tax*

Each Fiscal Year, the Maximum Services Special Tax shall be levied on all Parcels of Developed Property within the CFD that are Single Family Detached Property, Single Family Attached Property, or Multi-Family Property.

G. COLLECTION OF SPECIAL TAX

The Special Tax shall be collected in the same manner and at the same time as ordinary ad valorem property taxes, provided, however, that prepayments of the Facilities Special Tax are permitted as set forth in Section I below and provided further that the City may directly bill, collect at a different time or in a different manner, and/or collect delinquent Special Taxes through foreclosure or other available methods.

The Facilities Special Tax shall be levied and collected until principal and interest on Bonds have been repaid, costs of constructing or acquiring authorized facilities from Facilities Special Tax proceeds have been paid, and all Administrative Expenses have been reimbursed. However, in no event shall a Facilities Special Tax or a Services Special Tax be levied after Fiscal Year 2040-41. Under no circumstances may the Facilities Special Tax on one Parcel in the CFD be increased by more than ten percent (10%) as a consequence of delinquency or default in payment of the Facilities Special Tax levied on another Parcel or Parcels in the CFD.

H. EXEMPTIONS

Notwithstanding any other provision of this RMA, no Special Tax shall be levied on Public Property, except Taxable Public Property, as defined herein. In addition, no Special Tax shall be levied on Parcels that are not Public Property but are (i) designated as permanent open space or common space on which no structure is permitted to be built, (ii) owned by a public utility for use as an unmanned facility, or (iii) subject to an easement that precludes any other use on the Parcel. Notwithstanding the foregoing, if a Maximum Facilities Special Tax was assigned to a Parcel, and the entire Parcel ends up subject to one of the exemptions set forth above, the Parcel shall remain subject to the Facilities Special Tax until a prepayment is received that releases such Parcel from the Facilities Special Tax obligation.

I. PREPAYMENT OF FACILITIES SPECIAL TAX

The following definitions apply to this Section I:

“**Outstanding Bonds**” means all Previously Issued Bonds which remain outstanding, with the following exception: if a Facilities Special Tax has been levied against, or already paid by, an Assessor's Parcel making a prepayment, and a portion of the Facilities Special Tax

will be used to pay a portion of the next principal payment on the Bonds that remain outstanding (as determined by the Administrator), that next principal payment shall be subtracted from the total Bond principal that remains outstanding, and the difference shall be used as the amount of Outstanding Bonds for purposes of this prepayment formula.

“Previously Issued Bonds” means all Bonds that have been issued on behalf of the CFD prior to the date of prepayment.

“Public Facilities Requirements” means either \$5,625,000 in 2007 dollars, which shall increase on January 1, 2008, and on each January 1 thereafter by the percentage increase, if any, in the construction cost index for the San Francisco region for the prior twelve (12) month period as published in the Engineering News Record or other comparable source if the Engineering News Record is discontinued or otherwise not available, or such other number as shall be determined by the City to be an appropriate estimate of the net construction proceeds that will be generated from all Bonds that have been or are expected to be issued on behalf of CFD No. 1.

“Remaining Facilities Costs” means the Public Facilities Requirements (as defined above), minus public facility costs funded by Previously Issued Bonds (as defined above), developer equity, and/or any other source of funding.

1. Full Prepayment

The Facilities Special Tax obligation applicable to an Assessor’s Parcel in the CFD may be prepaid and the obligation of the Assessor’s Parcel to pay the Facilities Special Tax permanently satisfied as described herein, provided that a prepayment may be made only if (i) the Parcel is part of a recorded Development Plan that allows the Administrator to identify the final land uses on the Parcel for purposes of applying this RMA, and (ii) there are no delinquent Special Taxes with respect to such Assessor’s Parcel at the time of prepayment. An owner of an Assessor’s Parcel intending to prepay the Special Tax obligation shall provide the City with written notice of intent to prepay. The Services Special Tax obligation may not be prepaid. Within 30 days of receipt of such written notice, the City or its designee shall notify such owner of the prepayment amount for such Assessor’s Parcel. Prepayment must be made not less than 75 days prior to any redemption date for Bonds to be redeemed with the proceeds of such prepaid Special Taxes. The Prepayment Amount shall be calculated as follows: (capitalized terms as defined below):

	Bond Redemption Amount
plus	Remaining Facilities Amount
plus	Redemption Premium
plus	Defeasance Requirement
plus	Administrative Fees and Expenses
less	Reserve Fund Credit

equals Prepayment Amount

As of the proposed date of prepayment, the Prepayment Amount shall be determined by application of the following steps:

- Step 1.** Determine the Maximum Facilities Special Tax that could be collected from the Assessor’s Parcel prepaying the Facilities Special Tax in the Fiscal Year in which prepayment would be received by the City.
- Step 2.** Divide the Maximum Facilities Special Tax from Step 1 by the CFD Maximum Facilities Special Tax Revenues for the Fiscal Year in which prepayment would be received by the City.
- Step 3.** Multiply the quotient computed pursuant to Step 2 by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (*the “Bond Redemption Amount”*).
- Step 4.** Compute the current Remaining Facilities Costs (if any).
- Step 5.** Multiply the quotient computed pursuant to Step 2 by the amount determined pursuant to Step 4 to compute the amount of Remaining Facilities Costs to be prepaid (*the “Remaining Facilities Amount”*).
- Step 6.** Multiply the Bond Redemption Amount computed pursuant to Step 3 by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (*the “Redemption Premium”*).
- Step 7.** Compute the amount needed to pay interest on the Bond Redemption Amount starting with the first Bond interest payment date after which the prepayment has been received until the earliest redemption date for the Outstanding Bonds, which, depending on the Bond offering document, may be as early as the next interest payment date.
- Step 8:** Compute the amount of interest the City reasonably expects to derive from reinvestment of the Bond Redemption Amount plus the Redemption Premium from the first Bond interest payment date after which the prepayment has been received until the redemption date for the Outstanding Bonds.
- Step 9:** Take the amount computed pursuant to Step 7 and subtract the amount computed pursuant to Step 8 (the *“Defeasance Requirement”*).

- Step 10.** Determine the costs of computing the prepayment amount, the costs of redeeming Bonds, and the costs of recording any notices to evidence the prepayment and the redemption (the “*Administrative Fees and Expenses*”).
- Step 11.** If and to the extent so provided in the indenture pursuant to which the Outstanding Bonds to be redeemed were issued, a reserve fund credit shall be calculated as a reduction in the applicable reserve fund for the Outstanding Bonds to be redeemed pursuant to the prepayment (the “*Reserve Fund Credit*”).
- Step 12.** The Special Tax prepayment is equal to the sum of the amounts computed pursuant to Steps 3, 5, 6, 9, and 10, less the amount computed pursuant to Step 11 (the “*Prepayment Amount*”).

2. *Partial Prepayment*

A partial prepayment may be made in an amount equal to any percentage of full prepayment desired by the party making a partial prepayment, except that the full amount of administrative fees and expenses determined in Step 10 shall be included in the partial prepayment. The Maximum Facilities Special Tax that can be levied on a Parcel after a partial prepayment is made is equal to the Maximum Facilities Special Tax that could have been levied prior to the prepayment, reduced by the percentage of the full prepayment that the partial prepayment represents, all as determined by or at the direction of the Administrator.

J. INTERPRETATION OF SPECIAL TAX FORMULA

The City reserves the right to make minor administrative and technical changes to this document that does not materially affect the rate and method of apportioning the Special Taxes. In addition, the interpretation and application of any section of this document shall be left to the City’s discretion. Interpretations may be made by the City by ordinance or resolution for purposes of clarifying any vagueness or ambiguity in this RMA.

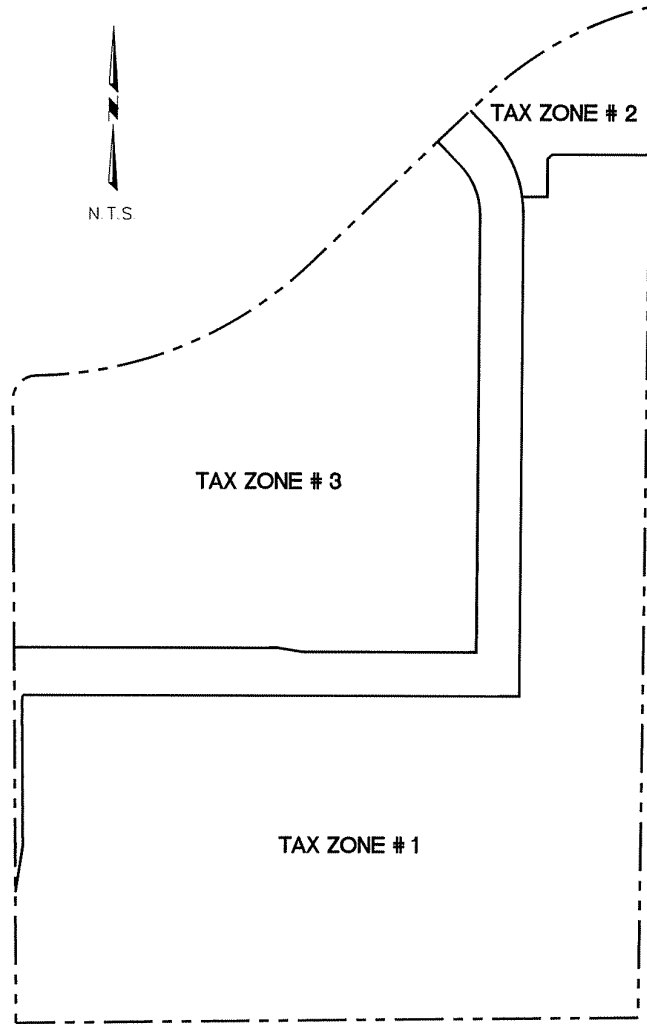
ATTACHMENT 1

**CITY OF ROSEVILLE
DIAMOND CREEK COMMUNITY FACILITIES DISTRICT No. 1
(PUBLIC FACILITIES)**

IDENTIFICATION OF TAX ZONES

DIAMOND CREEK DC-31 TAX ZONES

JANUARY 25, 2007



UBORA ENGINEERING & PLANNING
2401 JENNINGS AVENUE, SUITE 200
 RICHMOND, CALIFORNIA 94804-1200
 WWW.UBORA.COM

ATTACHMENT 2

CITY OF ROSEVILLE
 DIAMOND CREEK COMMUNITY FACILITIES DISTRICT NO. 1
 (PUBLIC FACILITIES)

EXPECTED LAND USES AND REQUIRED REVENUES*

Tax Zone	Expected Land Uses	Base Maximum Tax Fiscal Year 2007-08 *	Required Revenues Fiscal Year 2007-08 **
Tax Zone #1	131 Units	\$1,425 per Unit	\$186,675
Tax Zone #2	8 Units	\$1,100 per Unit	\$8,800
Tax Zone #3	75,000 commercial square feet	\$0.36 per square foot of Commercial Floor Area	\$27,000
	Units	Per Unit amount to be determined per Section C.3.a of the RMA	\$219,525
CFD Maximum Facilities Special Tax Revenue			\$442,000

- * Prior to recordation of a Final Map in any Tax Zone, the Maximum Facilities Special Tax assigned to Assessor's Parcel 017-115-032 shall be equal to the CFD Maximum Facilities Special Tax Revenue shown above, which shall be adjusted by the Annual Special Tax Escalation Factor each Fiscal Year, beginning in Fiscal Year 2008-09.
- ** These amounts apply only to the Facilities Special Tax; the Services Special Tax is identified in Section D above and is not part of the Required Revenues. Beginning in Fiscal Year 2008-09, and each Fiscal Year thereafter, the Base Maximum Special Tax and Required Revenues for each Tax Zone shall be adjusted by the Annual Special Tax Escalation Factor.

SOURCES AND USES OF FUNDS

\$7,245,000.00

City of Roseville
Diamond Creek CFD
Series 2007

Table of Contents

Report	
Sources & Uses	1
Debt Service Schedule	2
Net Debt Service Schedule	4

Preliminary

\$7,245,000.00

City of Roseville
Diamond Creek CFD
Series 2007

Sources & Uses

Dated 04/19/2007 | Delivered 04/19/2007

Sources Of Funds	
Par Amount of Bonds	\$7,245,000.00
Total Sources	\$7,245,000.00
Uses Of Funds	
Deposit to Project Construction Fund	5,622,000.00
Deposit to Debt Service Reserve Fund (DSRF)	669,503.04
Deposit to Capitalized Interest (CIF) Fund	540,141.52
Costs of Issuance	313,175.00
Total Underwriter's Discount (1.350%)	97,807.50
Rounding	2,372.94
Total Uses	\$7,245,000.00

Preliminary

\$7,245,000.00

City of Roseville
Diamond Creek CFD
Series 2007

Debt Service Schedule

Part 1 of 2

Date	Principal	Coupon	Interest	Total P+I
09/01/2007	-	-	144,916.02	144,916.02
09/01/2008	-	-	395,225.50	395,225.50
09/01/2009	5,000.00	4.500%	395,225.50	400,225.50
09/01/2010	20,000.00	4.600%	395,000.50	415,000.50
09/01/2011	25,000.00	4.700%	394,080.50	419,080.50
09/01/2012	35,000.00	4.800%	392,905.50	427,905.50
09/01/2013	45,000.00	4.900%	391,225.50	436,225.50
09/01/2014	60,000.00	5.000%	389,020.50	449,020.50
09/01/2015	65,000.00	5.100%	386,020.50	451,020.50
09/01/2016	80,000.00	5.200%	382,705.50	462,705.50
09/01/2017	100,000.00	5.250%	378,545.50	478,545.50
09/01/2018	110,000.00	5.300%	373,295.50	483,295.50
09/01/2019	125,000.00	5.350%	367,465.50	492,465.50
09/01/2020	145,000.00	5.400%	360,778.00	505,778.00
09/01/2021	165,000.00	5.420%	352,948.00	517,948.00
09/01/2022	185,000.00	5.450%	344,005.00	529,005.00
09/01/2023	205,000.00	5.450%	333,922.50	538,922.50
09/01/2024	225,000.00	5.450%	322,750.00	547,750.00
09/01/2025	250,000.00	5.450%	310,487.50	560,487.50
09/01/2026	275,000.00	5.450%	296,862.50	571,862.50
09/01/2027	300,000.00	5.500%	281,875.00	581,875.00
09/01/2028	325,000.00	5.500%	265,375.00	590,375.00
09/01/2029	355,000.00	5.500%	247,500.00	602,500.00
09/01/2030	390,000.00	5.500%	227,975.00	617,975.00
09/01/2031	420,000.00	5.500%	206,525.00	626,525.00
09/01/2032	455,000.00	5.500%	183,425.00	638,425.00
09/01/2033	490,000.00	5.500%	158,400.00	648,400.00
09/01/2034	530,000.00	5.500%	131,450.00	661,450.00
09/01/2035	575,000.00	5.500%	102,300.00	677,300.00
09/01/2036	620,000.00	5.500%	70,675.00	690,675.00
09/01/2037	665,000.00	5.500%	36,575.00	701,575.00
Total	\$7,245,000.00	-	\$9,019,460.52	\$16,264,460.52

Preliminary

\$7,245,000.00

City of Roseville
Diamond Creek CFD
Series 2007

Debt Service Schedule

Part 2 of 2

Yield Statistics

Bond Year Dollars	\$164,581.50
Average Life	22.717 Years
Average Coupon	5.4802396%
Net Interest Cost (NIC)	5.5396676%
True Interest Cost (TIC)	5.5829583%
Bond Yield for Arbitrage Purposes	5.4744534%
All Inclusive Cost (AIC)	5.9457980%

IRS Form 8038

Net Interest Cost	5.4802396%
Weighted Average Maturity	22.717 Years

Preliminary

\$7,245,000.00

City of Roseville
Diamond Creek CFD
Series 2007

Net Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	DSR	CIF	Net New D/S
09/01/2007	-	-	144,916.02	144,916.02	-	(144,916.02)	-
09/01/2008	-	-	395,225.50	395,225.50	-	(395,225.50)	-
09/01/2009	5,000.00	4.500%	395,225.50	400,225.50	-	-	400,225.50
09/01/2010	20,000.00	4.600%	395,000.50	415,000.50	-	-	415,000.50
09/01/2011	25,000.00	4.700%	394,080.50	419,080.50	-	-	419,080.50
09/01/2012	35,000.00	4.800%	392,905.50	427,905.50	-	-	427,905.50
09/01/2013	45,000.00	4.900%	391,225.50	436,225.50	-	-	436,225.50
09/01/2014	60,000.00	5.000%	389,020.50	449,020.50	-	-	449,020.50
09/01/2015	65,000.00	5.100%	386,020.50	451,020.50	-	-	451,020.50
09/01/2016	80,000.00	5.200%	382,705.50	462,705.50	-	-	462,705.50
09/01/2017	100,000.00	5.250%	378,545.50	478,545.50	-	-	478,545.50
09/01/2018	110,000.00	5.300%	373,295.50	483,295.50	-	-	483,295.50
09/01/2019	125,000.00	5.350%	367,465.50	492,465.50	-	-	492,465.50
09/01/2020	145,000.00	5.400%	360,778.00	505,778.00	-	-	505,778.00
09/01/2021	165,000.00	5.420%	352,948.00	517,948.00	-	-	517,948.00
09/01/2022	185,000.00	5.450%	344,005.00	529,005.00	-	-	529,005.00
09/01/2023	205,000.00	5.450%	333,922.50	538,922.50	-	-	538,922.50
09/01/2024	225,000.00	5.450%	322,750.00	547,750.00	-	-	547,750.00
09/01/2025	250,000.00	5.450%	310,487.50	560,487.50	-	-	560,487.50
09/01/2026	275,000.00	5.450%	296,862.50	571,862.50	-	-	571,862.50
09/01/2027	300,000.00	5.500%	281,875.00	581,875.00	-	-	581,875.00
09/01/2028	325,000.00	5.500%	265,375.00	590,375.00	-	-	590,375.00
09/01/2029	355,000.00	5.500%	247,500.00	602,500.00	-	-	602,500.00
09/01/2030	390,000.00	5.500%	227,975.00	617,975.00	-	-	617,975.00
09/01/2031	420,000.00	5.500%	206,525.00	626,525.00	-	-	626,525.00
09/01/2032	455,000.00	5.500%	183,425.00	638,425.00	-	-	638,425.00
09/01/2033	490,000.00	5.500%	158,400.00	648,400.00	-	-	648,400.00
09/01/2034	530,000.00	5.500%	131,450.00	661,450.00	-	-	661,450.00
09/01/2035	575,000.00	5.500%	102,300.00	677,300.00	-	-	677,300.00
09/01/2036	620,000.00	5.500%	70,675.00	690,675.00	-	-	690,675.00
09/01/2037	665,000.00	5.500%	36,575.00	701,575.00	(669,503.04)	-	32,071.96
Total	\$7,245,000.00	-	\$9,019,460.52	\$16,264,460.52	(669,503.04)	(540,141.52)	\$15,054,815.96

New Money | SINGLE PURPOSE | 1/22/2007 | 6:13 PM

New Money | SINGLE PURPOSE | 1/22/2007 | 6:13 PM

**City of Roseville
Diamond Creek CFD
Assuming TAX ON COMMERCIAL**

Par Amount of Bonds:		\$	7,245,000					
New Money Bond Proceeds:			5,622,000					
		<u>LDL</u>	<u>MDR</u>	<u>HDR</u>	<u>HDR (Affordable)</u>	<u>Commercial</u>	<u>TOTAL</u>	
Number of Units		131	33	287	40		491	
Max Diamond Creek Tax Per Unit (1)	\$	1,422	\$ 1,099	\$ 627	\$ 313	\$ 75,000		
Total Annual Max Tax		186,316	36,275	179,874	12,535	27,000	442,000	
Stormwater Management Fee (2)		18	18	18	18			
Existing North Roseville CFD Tax	\$	175	\$ 175	\$ 175	\$ 175			
NR Mello-Roos CFD #2		11	11	11	11			
CFD #3 Municipal Services District Annexation - new		293	196	196	196			
Total CFD Taxes per Unit		1,920	1,500	1,027	714	0.36		
Total CFD Taxes per Unit per Month		160	125	86	60	0.03		
Property Taxes & Assessments	\$	5,042	\$ 4,370	\$ 3,685	\$ 3,685			
Total Tax Per Unit w/ Diamond Creek	\$	6,962	\$ 5,870	\$ 4,713	\$ 4,399	\$ 0		
Estimated Value Per Unit	\$	468,000	\$ 405,500	\$ 343,000				
Taxes as Percentage of Value		1.49%	1.45%	1.37%				

(1) Reflects required tax rates assuming base year of 2007/08

(2) Stormwater management fee will be part of Diamond Creek Special Tax levy

***City of Roseville
Diamond Creek CFD
Projected Debt Service and Special Tax Revenue***

Year	Debt Service	Required Special Tax Revenue [110% Coverage]	Debt Service Coverage
2008		442,000	
2009	400,226	450,840	112.6%
2010	415,001	459,857	110.8%
2011	419,081	469,054	111.9%
2012	427,906	478,435	111.8%
2013	436,226	488,004	111.9%
2014	449,021	497,764	110.9%
2015	451,021	507,719	112.6%
2016	462,706	517,873	111.9%
2017	478,546	528,231	110.4%
2018	483,296	538,796	111.5%
2019	492,466	549,571	111.6%
2020	505,778	560,563	110.8%
2021	517,948	571,774	110.4%
2022	529,005	583,210	110.2%
2023	536,923	594,874	110.4%
2024	547,750	606,771	110.8%
2025	560,488	618,907	110.4%
2026	571,863	631,285	110.4%
2027	581,875	643,911	110.7%
2028	590,375	656,789	111.2%
2029	602,500	669,925	111.2%
2030	617,975	683,323	110.6%
2031	626,525	696,989	111.2%
2032	638,425	710,929	111.4%
2033	648,400	725,148	111.8%
2034	661,450	739,651	111.8%
2035	677,300	754,444	111.4%
2036	690,675	769,533	111.4%
2037	701,575	784,923	111.9%

(1) Tax Rates increase 2% annually

Updated through
July 17, 2006



First American Title

1610 Arden Way, Suite 190
Sacramento, CA 95815

PRELIMINARY TITLE REPORT

Escrow Officer:	Arah Tresler (AT)
Phone:	(916)920-3100
Fax No.:	(888)299-0262
E-Mail:	atresler@firstam.com
Owner:	Diamond Creek Partners, LP
Property:	No Situs Roseville, CA

PRELIMINARY REPORT

In response to the above referenced application for a policy of title insurance, this company hereby reports that it is prepared to issue, or cause to be issued, as of the date hereof, a Policy or Policies of Title Insurance describing the land and the estate or interest therein hereinafter set forth, insuring against loss which may be sustained by reason of any defect, lien or encumbrance not shown or referred to as an Exception below or not excluded from coverage pursuant to the printed Schedules, Conditions and Stipulations of said Policy forms.

The printed Exceptions and Exclusions from the coverage of said Policy or Policies are set forth in Exhibit A attached. Copies of the Policy forms should be read. They are available from the office which issued this report.

Please read the exceptions shown or referred to below and the exceptions and exclusions set forth in Exhibit A of this report carefully. The exceptions and exclusions are meant to provide you with notice of matters which are not covered under the terms of the title insurance policy and should be carefully considered.

It is important to note that this preliminary report is not a written representation as to the condition of title and may not list all liens, defects, and encumbrances affecting title to the land.

This report (and any supplements or amendments hereto) is issued solely for the purpose of facilitating the issuance of a policy of title insurance and no liability is assumed hereby. If it is desired that liability be assumed prior to the issuance of a policy of title insurance, a Binder or Commitment should be requested.

Dated as of July 17, 2006 at 7:30 A.M.

The form of Policy of title insurance contemplated by this report is:

1992 ALTA Owner's Policy (10-17-92) with Regional Exceptions

A specific request should be made if another form or additional coverage is desired.

Title to said estate or interest at the date hereof is vested in:

Diamond Creek Partners, LTD, a California Limited Partnership

The estate or interest in the land hereinafter described or referred to covered by this Report is:

A fee.

The Land referred to herein is described as follows:

(See attached Legal Description)

At the date hereof exceptions to coverage in addition to the printed Exceptions and Exclusions in said policy form would be as follows:

1. General and special taxes and assessments for the fiscal year 2006-2007, a lien not yet due or payable.
- 1a. Taxes and assessments. Report to follow. Please verify before closing.
2. The lien of supplemental taxes, if any, assessed pursuant to Chapter 3.5 commencing with Section 75 of the California Revenue and Taxation Code.
3. The lien of bonds and assessment liens, if applicable, collected with the general and special taxes.
4. Intentionally Deleted

First American Title

5. Covenants, conditions, restrictions and easements in the document recorded October 27, 1994 as Instrument No. 94-075608 of Official Records, which provide that a violation thereof shall not defeat or render invalid the lien of any first mortgage or deed of trust made in good faith and for value, but deleting any covenant, condition or restriction indicating a preference, limitation or discrimination based on race, color, religion, sex, handicap, familial status, national origin, sexual orientation, marital status, ancestry, source of income or disability, to the extent such covenants, conditions or restrictions violate Title 42, Section 3604(c), of the United States Codes or Section 12955 of the California Government Code. Lawful restrictions under state and federal law on the age of occupants in senior housing or housing for older persons shall not be construed as restrictions based on familial status.

Document(s) declaring modifications thereof recorded October 21, 1996 as Instrument No. 96-062262 of Official Records.

Document(s) declaring modifications thereof recorded October 29, 1998 as Instrument No. 98-089261 of Official Records.

Document(s) declaring modifications thereof recorded March 22, 1999 as Instrument No. 99-25181 of Official Records.

Document(s) declaring modifications thereof recorded September 21, 2000 as Instrument No. 2000-069965 of Official Records.

6. The terms and provisions contained in the document entitled "Development Agreement" recorded September 29, 1997 as Instrument No. 97-059806 of Official Records.

Document(s) declaring modifications thereof recorded September 15, 1998 as Instrument No. 98-073814 of Official Records.

Document(s) declaring modifications thereof recorded December 15, 1999 as Instrument No. 1999-106726 of Official Records.

Document(s) declaring modifications thereof recorded November 14, 2002 as Instrument No. 2002-143109 of Official Records.

Document(s) declaring modifications thereof recorded May 7, 2004 as Instrument No. 2004-058294 of Official Records.

7. The terms and provisions contained in the document entitled "North Roseville Specific Plan Elementary and Middle School Impact Mitigation Agreement" recorded November 14, 1997 as Instrument No. 97-071235 of Official Records.
8. The terms and provisions contained in the document entitled "North Roseville Specific Plan High School Impact Fee Agreement" recorded December 31, 1997 as Instrument No. 97-083520 of Official Records.
9. An easement shown or dedicated on the map filed or recorded July 22, 1988 as Book U, Page 86 of Maps
For: Public utilities, landscape easement and incidental purposes.

First American Title

Affects: A portion of said land

10. The Terms, Provisions and Easement(s) contained in the document entitled "Reciprocal Access and Parking Agreement" recorded May 17, 2001 as Instrument No. 2001-047638 of Official Records.

11. A deed of trust to secure an original indebtedness of \$6,100,000.00 recorded January 02, 2003 as Instrument No. 2003-0000307 of Official Records.
Dated: December 23, 2002
Trustor: Diamond Creek Partners, Ltd, a California limited partnership, as to parcels one and two and an undivided 50% interest in parcel three; Donald F Williams and Nancy J Williams, Trustees of The Donald F and Nancy J Williams Revocable Trust dated June 10, 1983, as to an undivided 25% interest in parcel three; and James A Brinton and Lorraine H Brinton, Trustees of James A and Lorraine H Brinton Revocable Trust dated November 18, 1982, as to an undivided 25% interest in parcel three
Trustee: First American Title
Beneficiary: Western Sierra National Bank

Affects: The land and other property.

A document entitled "Assignment of Rents" recorded January 02, 2003 as Instrument No. 2003-0000308 of Official Records, as additional security for the payment of the indebtedness secured by the deed of trust.

A document recorded March 14, 2003 as Instrument No. 2003-0039386 of Official Records provides that the deed of trust or the obligation secured thereby has been modified.

A document recorded April 30, 2003 as Instrument No. 2003-0066205 of Official Records provides that the deed of trust or the obligation secured thereby has been modified.

A document recorded March 04, 2004 as Instrument No. 2004-024545 of Official Records provides that the deed of trust or the obligation secured thereby has been modified.

A document recorded May 03, 2004 as Instrument No. 2004-054553 of Official Records provides that the deed of trust or the obligation secured thereby has been modified.

A document recorded March 14, 2005 as Instrument No. 2005-029884 of Official Records provides that Western Sierra National Bank was substituted as trustee under the deed of trust.

A document recorded September 29, 2005 as Instrument No. 2005-0131025 of Official Records provides that the deed of trust or the obligation secured thereby has been modified.

A document recorded July 6, 2006 as Instrument No. 2006-0072381 of Official Records provides that the deed of trust or the obligation secured thereby has been modified.

12. Rights of parties in possession.

INFORMATIONAL NOTES

1. The property covered by this report is vacant land.
2. According to the public records, there has been no conveyance of the land within a period of twenty-four months prior to the date of this report, except as follows:

None
3. This preliminary report/commitment was prepared based upon an application for a policy of title insurance that identified land by street address or assessor's parcel number only. It is the responsibility of the applicant to determine whether the land referred to herein is in fact the land that is to be described in the policy or policies to be issued.
4. Should this report be used to facilitate your transaction, we must be provided with the following prior to the issuance of the policy:

A. WITH RESPECT TO A CORPORATION:
 - a. A certificate of good standing of recent date issued by the Secretary of State of the corporation's state of domicile.
 - b. A certificate copy of a resolution of the Board of Directors authorizing the contemplated transaction and designating which corporate officers shall have the power to execute on behalf of the corporation.
 - c. Requirements which the Company may impose following its review of the above material and other information which the Company may require.
B. WITH RESPECT TO A CALIFORNIA LIMITED PARTNERSHIP:
 - a. A certified copy of the certificate of limited partnership (form LP-1) and any amendments thereto (form LP-2) to be recorded in the public records;
 - b. A full copy of the partnership agreement and any amendments;
 - c. Satisfactory evidence of the consent of a majority in interest of the limited partners to the contemplated transaction;
 - d. Requirements which the Company may impose following its review of the above material and other information which the Company may require.
C. WITH RESPECT TO A FOREIGN LIMITED PARTNERSHIP:
 - a. A certified copy of the application for registration, foreign limited partnership (form LP-5) and any amendments thereto (form LP-6) to be recorded in the public records;

- b. A full copy of the partnership agreement and any amendment;
 - c. Satisfactory evidence of the consent of a majority in interest of the limited partners to the contemplated transaction;
 - d. Requirements which the Company may impose following its review of the above material and other information which the Company may require.
- D. WITH RESPECT TO A GENERAL PARTNERSHIP:
- a. A certified copy of a statement of partnership authority pursuant to Section 16303 of the California Corporation Code (form GP-1), executed by at least two partners, and a certified copy of any amendments to such statement (form GP-7), to be recorded in the public records;
 - b. A full copy of the partnership agreement and any amendments;
 - c. Requirements which the Company may impose following its review of the above material required herein and other information which the Company may require.
- E. WITH RESPECT TO A LIMITED LIABILITY COMPANY:
- a. A copy of its operating agreement and any amendments thereto;
 - b. If it is a California limited liability company, a certified copy of its articles of organization (LLC-1) and any certificate of correction (LLC-11), certificate of amendment (LLC-2), or restatement of articles of organization (LLC-10) to be recorded in the public records;
 - c. If it is a foreign limited liability company, a certified copy of its application for registration (LLC-5) to be recorded in the public records;
 - d. With respect to any deed, deed of trust, lease, subordination agreement or other document or instrument executed by such limited liability company and presented for recordation by the Company or upon which the Company is asked to rely, such document or instrument must be executed in accordance with one of the following, as appropriate:
 - (i) If the limited liability company properly operates through officers appointed or elected pursuant to the terms of a written operating agreement, such documents must be executed by at least two duly elected or appointed officers, as follows: the chairman of the board, the president or any vice president, and any secretary, assistant secretary, the chief financial officer or any assistant treasurer;
 - (ii) If the limited liability company properly operates through a manager or managers identified in the articles of organization and/or duly elected pursuant to the terms of a written operating agreement, such document must be executed by at least two such managers or by one manager if the limited liability company properly operates with the existence of only one manager.

- e. Requirements which the Company may impose following its review of the above material and other information which the Company may require.
- F. WITH RESPECT TO A TRUST:
- a. A certification pursuant to Section 18500.5 of the California Probate Code in a form satisfactory to the Company.
 - b. Copies of those excerpts from the original trust documents and amendments thereto which designate the trustee and confer upon the trustee the power to act in the pending transaction.
 - c. Other requirements which the Company may impose following its review of the material require herein and other information which the Company may require.
- G. WITH RESPECT TO INDIVIDUALS:
- a. A statement of information.

The map attached, if any, may or may not be a survey of the land depicted hereon. First American expressly disclaims any liability for loss or damage which may result from reliance on this map except to the extent coverage for such loss or damage is expressly provided by the terms and provisions of the title insurance policy, if any, to which this map is attached.

LEGAL DESCRIPTION

Real property in the City of Roseville, County of Placer, State of California, described as follows:

PARCEL 31, AS SHOWN ON THAT CERTAIN MAP ENTITLED "PLAT OF DIAMOND CREEK LARGE LOT SUBDIVISION", FILED IN THE OFFICE OF THE COUNTY RECORDER OF PLACER COUNTY, CALIFORNIA ON JULY 22, 1998, IN BOOK U OF MAPS, AT PAGE 86.

APN: 017-115-032-0000

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NOTICE

Section 12413.1 of the California Insurance Code, effective January 1, 1990, requires that any title insurance company, underwritten title company, or controlled escrow company handling funds in an escrow or sub-escrow capacity, wait a specified number of days after depositing funds, before recording any documents in connection with the transaction or disbursing funds. This statute allows for funds deposited by wire transfer to be disbursed the same day as deposit. In the case of cashier's checks or certified checks, funds may be disbursed the next day after deposit. In order to avoid unnecessary delays of three to seven days, or more, please use wire transfer, cashier's checks, or certified checks whenever possible.

If you have any questions about the effect of this new law, please contact your local First American Office for more details.

created subsequent to Date of Policy; or (e) resulting in loss or damage which would not have been sustained if the insured claimant had paid value for the estate or interest insured by this policy

EXHIBIT A
LIST OF PRINTED EXCEPTIONS AND EXCLUSIONS (BY POLICY TYPE)

1. CALIFORNIA LAND TITLE ASSOCIATION STANDARD COVERAGE POLICY - 1990
SCHEDULE B

EXCEPTIONS FROM COVERAGE

- This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) which arise by reason of:
- 1 Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records. Proceedings by a public agency which may result in taxes or assessments, or notice of such proceedings, whether or not shown by the records of such agency or by the public records
 - 2 Any facts, rights, interests, or claims which are not shown by the public records but which could be ascertained by an inspection of the land or which may be asserted by persons in possession thereof
 - 3 Easements, liens or encumbrances, or claims thereof, which are not shown by the public records
 - 4 Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by the public records
 - 5 (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b), or (c) are shown by the public records

EXCLUSIONS FROM COVERAGE

- The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:
- 1 (a) Any law, ordinance or governmental regulation (including but not limited to building and zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating to (i) the occupancy, use, or enjoyment of the land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the land; (iii) a separation in ownership or a change in the dimensions or area of the land or any parcel of which the land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
(b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
 - 2 Rights of eminent domain unless notice of the exercise thereof has been recorded in the public records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge
 - 3 Defects, liens, encumbrances, adverse claims or other matters:
(a) whether or not recorded in the public records at Date of Policy, but created, suffered, assumed or agreed to by the Insured claimant;
(b) not known to the Company, not recorded in the public records at Date of Policy, but known to the Insured claimant and not disclosed in writing to the Company by the Insured claimant prior to the date the Insured claimant became an Insured under this policy;
(c) resulting in no loss or damage to the Insured claimant;
(d) attaching or created subsequent to Date of Policy; or
(e) resulting in loss or damage which would not have been sustained if the Insured claimant had paid value for the Insured mortgage or for the estate or interest insured by this policy
 - 4 Unenforceability of the lien of the Insured mortgage because of the inability or failure of the Insured at Date of Policy, or the inability or failure of any subsequent owner of the indebtedness, to comply with applicable "doing business" laws of the state in which the land is situated
 - 5 Invalidity or unenforceability of the lien of the Insured mortgage, or claim thereof, which arises out of the transaction evidenced by the Insured mortgage and is based upon usury or any consumer credit protection or truth in lending law
 - 6 Any claim, which arises out of the transaction vesting in the Insured the estate or interest Insured by their policy or the transaction creating the interest of the Insured lender, by reason of the operation of federal bankruptcy, state insolvency or similar creditors' rights laws

2. AMERICAN LAND TITLE ASSOCIATION OWNER'S POLICY FORM B - 1970
SCHEDULE OF EXCLUSIONS FROM COVERAGE

- 1 Any law, ordinance or governmental regulation (including but not limited to building and zoning ordinances) restricting or regulating or prohibiting the occupancy, use or enjoyment of the land, or regulating the character, dimensions or location of any improvement now or hereafter erected on the land, or prohibiting a separation in ownership or a reduction in the dimensions or area of the land, or the effect of any violation of any such law, ordinance or governmental regulation
- 2 Rights of eminent domain or governmental rights of police power unless notice of the exercise of such rights appears in the public records at Date of Policy
- 3 Defects, liens, encumbrances, adverse claims, or other matters (a) created, suffered, assumed or agreed to by the Insured claimant; (b) not known to the Company and not shown by the public records but known to the Insured claimant either at Date of Policy or at the date such claimant acquired an estate or interest insured by this policy and not disclosed in writing by the Insured claimant to the Company prior to the date such Insured claimant became an Insured hereunder; (c) resulting in no loss or damage to the Insured claimant; (d) attaching or

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3. AMERICAN LAND TITLE ASSOCIATION OWNER'S POLICY FORM B - 1970
WITH REGIONAL EXCEPTIONS

When the American Land Title Association policy is used as a Standard Coverage Policy and not as an Extended Coverage Policy the exclusions set forth in paragraph 2 above are used and the following exceptions to coverage appear in the policy

SCHEDULE B

This policy does not insure against loss or damage by reason of the matters shown in parts one and two following:

Part One

- 1 Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records.
- 2 Any facts, rights, interests, or claims which are not shown by the public records but which could be ascertained by an inspection of said land or by making inquiry of persons in possession thereof
- 3 Easements, claims of easement or encumbrances which are not shown by the public records
- 4 Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by public records
- 5 Unpatented mining claims; reservations or exceptions in patents or in Acts authorizing the issuance thereof; water rights, claims or title to water
- 6 Any lien, or right to a lien, for services, labor or material heretofore or hereafter furnished, imposed by law and not shown by the public records

4. AMERICAN LAND TITLE ASSOCIATION LOAN POLICY - 1970
WITH A.L.T.A. ENDORSEMENT FORM 1 COVERAGE
SCHEDULE OF EXCLUSIONS FROM COVERAGE

- 1 Any law, ordinance or governmental regulation (including but not limited to building and zoning ordinances) restricting or regulating or prohibiting the occupancy, use or enjoyment of the land, or regulating the character, dimensions or location of any improvement now or hereafter erected on the land, or prohibiting a separation in ownership or a reduction in the dimensions or area of the land, or the effect of any violation of any such law ordinance or governmental regulation.
- 2 Rights of eminent domain or governmental rights of police power unless notice of the exercise of such rights appears in the public records at Date of Policy.
- 3 Defects, liens, encumbrances, adverse claims, or other matters (a) created, suffered, assumed or agreed to by the Insured claimant, (b) not known to the Company and not shown by the public records but known to the Insured claimant either at Date of Policy or at the date such claimant acquired an estate or interest insured by this policy or acquired the Insured mortgage and not disclosed in writing by the Insured claimant to the Company prior to the date such Insured claimant became an Insured hereunder, (c) resulting in no loss or damage to the Insured claimant; (d) attaching or created subsequent to Date of Policy (except to the extent insurance is afforded herein as to any statutory lien for labor or material or to the extent insurance is afforded herein as to assessments for street improvements under construction or completed at Date of Policy)
- 4 Unenforceability of the lien of the Insured mortgage because of failure of the Insured at Date of Policy or of any subsequent owner of the indebtedness to comply with applicable "doing business" laws of the state in which the land is situated.

5. AMERICAN LAND TITLE ASSOCIATION LOAN POLICY - 1970
WITH REGIONAL EXCEPTIONS

When the American Land Title Association Lenders Policy is used as a Standard Coverage Policy and not as an Extended Coverage Policy, the exclusions set forth in paragraph 4 above are used and the following exceptions to coverage appear in the policy

SCHEDULE B

This policy does not insure against loss or damage by reason of the matters shown in parts one and two following:

Part One

- 1 Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records.
- 2 Any facts, rights, interests, or claims which are not shown by the public records but which could be ascertained by an inspection of said land or by making inquiry of persons in possession thereof
- 3 Easements, claims of easement or encumbrances which are not shown by the public records.
- 4 Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by public records
- 5 Unpatented mining claims; reservations or exceptions in patents or in Acts authorizing the issuance thereof; water rights, claims or title to water.
- 6 Any lien, or right to a lien, for services, labor or material theretofore or hereafter furnished, imposed by law and not shown by the public records

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**6. AMERICAN LAND TITLE ASSOCIATION LOAN POLICY - 1992
WITH A.L.T.A. ENDORSEMENT FORM 1 COVERAGE
EXCLUSIONS FROM COVERAGE**

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

- 1 (a) Any law, ordinance or governmental regulation (including but not limited to building and zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating to (i) the occupancy, use, or enjoyment of the land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the land; (iii) a separation in ownership or a change in the dimensions or area of the land or any parcel of which the land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy;
(b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
- 2 Rights of eminent domain unless notice of the exercise thereof has been recorded in the public records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be blinding on the rights of a purchaser for value without knowledge
- 3 Defects, liens, encumbrances, adverse claims, or other matters:
(a) whether or not recorded in the public records at Date of Policy, but created, suffered, assumed or agreed to by the insured claimant;
(b) not known to the Company, not recorded in the public records at Date of Policy, but known to the insured claimant and not disclosed in writing to the Company by the insured claimant prior to the date the insured claimant became an insured under this policy;
(c) resulting in no loss or damage to the insured claimant;
(d) attaching or created subsequent to Date of Policy (except to the extent that this policy insures the priority of the lien of the insured mortgage over any statutory lien for services, labor or material or the extent insurance is afforded herein as to assessments for street improvements under construction or completed at date of policy); or
(e) resulting in loss or damage which would not have been sustained if the insured claimant had paid value for the insured mortgage.
- 4 Unenforceability of the lien of the insured mortgage because of the inability or failure of the insured at Date of Policy, or the inability or failure of any subsequent owner of the indebtedness, to comply with the applicable "doing business" laws of the state in which the land is situated
- 5 Invalidity or unenforceability of the lien of the insured mortgage, or claim thereof, which arises out of the transaction evidenced by the insured mortgage and is based upon usury or any consumer credit protection or truth in lending law
- 6 Any statutory lien for services, labor or materials (or the claim of priority of any statutory lien for services, labor or materials over the lien of the insured mortgage) arising from an improvement or work related to the land which is contracted for and commenced subsequent to Date of Policy and is not financed in whole or in part by proceeds of the indebtedness secured by the insured mortgage which at Date of Policy the insured has advanced or is obligated to advance.
- 7 Any claim, which arises out of the transaction creating the interest of the mortgagee insured by this policy, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that is based on:
(i) the transaction creating the interest of the insured mortgagee being deemed a fraudulent conveyance or fraudulent transfer; or
(ii) the subordination of the interest of the insured mortgagee as a result of the application of the doctrine of equitable subordination; or
(iii) the transaction creating the interest of the insured mortgagee being deemed a preferential transfer except where the preferential transfer results from the failure:
(a) to timely record the instrument of transfer; or
(b) of such recordation to impart notice to a purchaser for value or a judgment or lien creditor

**7. AMERICAN LAND TITLE ASSOCIATION LOAN POLICY - 1992
WITH REGIONAL EXCEPTIONS**

When the American Land Title Association policy is used as a Standard Coverage Policy and not as an Extended Coverage Policy the exclusions set forth in paragraph 6 above are used and the following exceptions to coverage appear in the policy:

SCHEDULE B

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) which arise by reason of:

1. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records
2. Any facts, rights, interests, or claims which are not shown by the public records but which could be ascertained by an inspection of said land or by making inquiry of persons in possession thereof
3. Easements, claims of easement or encumbrances which are not shown by the public records
4. Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by public records
5. Unpatented mining claims; reservations or exceptions in patents or in Acts authorizing the issuance thereof; water rights, claims or title to water
6. Any lien, or right to a lien, for services, labor or material theretofore or hereafter furnished, imposed by law and not shown by the public records

8. AMERICAN LAND TITLE ASSOCIATION OWNER'S POLICY - 1992

First American Title

EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

- 1 (a) Any law, ordinance or governmental regulation (including but not limited to building and zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating to (i) the occupancy, use, or enjoyment of the land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the land; (iii) a separation in ownership or a change in the dimensions or area of the land or any parcel of which the land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
(b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
- 2 Rights of eminent domain unless notice of the exercise thereof has been recorded in the public records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge
- 3 Defects, liens, encumbrances, adverse claims, or other matters:
(a) created, suffered, assumed or agreed to by the insured claimant;
(b) not known to the Company, not recorded in the public records at Date of Policy, but known to the insured claimant and not disclosed in writing to the Company by the insured claimant prior to the date the insured claimant became an insured under this policy; -
(c) resulting in no loss or damage to the insured claimant;
(d) attaching or created subsequent to Date of Policy; or
(e) resulting in loss or damage which would not have been sustained if the insured claimant had paid value for the estate or interest insured by this policy
- 4 Any claim, which arises out of the transaction vesting in the insured the estate or interest insured by this policy, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that is based on:
(i) the transaction creating the estate or interest insured by this policy being deemed a fraudulent conveyance or fraudulent transfer; or
(ii) the transaction creating the estate or interest insured by this policy being deemed a preferential transfer except where the preferential transfer results from the failure:
(a) to timely record the instrument of transfer; or
(b) of such recordation to impart notice to a purchaser for value or a judgment or lien creditor.

**9. AMERICAN LAND TITLE ASSOCIATION OWNER'S POLICY - 1992
WITH REGIONAL EXCEPTIONS**

When the American Land Title Association policy is used as a Standard Coverage Policy and not as an Extended Coverage Policy the exclusions set forth in paragraph 8 above are used and the following exceptions to coverage appear in the policy:

SCHEDULE B

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) which arise by reason of:

Part One:

1. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records
2. Any facts, rights, interests, or claims which are not shown by the public records but which could be ascertained by an inspection of said land or by making inquiry of persons in possession thereof
3. Easements, claims of easement or encumbrances which are not shown by the public records
4. Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by public records
5. Unpatented mining claims; reservations or exceptions in patents or in Acts authorizing the issuance thereof; water rights, claims or title to water
6. Any lien, or right to a lien, for services, labor or material theretofore or hereafter furnished, imposed by law and not shown by the public records

**10. AMERICAN LAND TITLE ASSOCIATION RESIDENTIAL
TITLE INSURANCE POLICY - 1987
EXCLUSIONS**

In addition to the Exceptions in Schedule B, you are not insured against loss, costs, attorneys' fees and expenses resulting from:

1. Governmental police power, and the existence or violation of any law or government regulation. This includes building and zoning ordinances and also laws and regulations concerning:
 - * land use
 - * land division
 - * improvements on the land
 - * environmental protection

This exclusion does not apply to violations or the enforcement of these matters which appear in the public records at Policy Date. This exclusion does not limit the zoning coverage described in Items 12 and 13 of Covered Title Risks

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- 2 The right to take the land by condemning it, unless:
* a notice of exercising the right appears in the public records on the Policy Date
* the taking happened prior to the Policy Date and is binding on you if you bought the land without knowing of the taking
- 3 Title Risks:
* that are created, allowed, or agreed to by you
* that are known to you, but not to us, on the Policy Date - unless they appeared in the public records
* that result in no loss to you
* that first affect your title after the Policy Date - this does not limit the labor and material lien coverage in Item 8 of Covered Title Risks
- 4 Failure to pay value for your title
- 5 Lack of a right:
* to any land outside the area specifically described and referred to in Item 3 of Schedule A, or
* in streets, alleys, or waterways that touch your land
This exclusion does not limit the access coverage in Item 5 of Covered Title Risks

11. EAGLE PROTECTION OWNER'S POLICY

CLTA HOMEOWNER'S POLICY OF TITLE INSURANCE - 1998 ALTA HOMEOWNER'S POLICY OF TITLE INSURANCE - 1998

Covered Risks 14 (Subdivision Law Violation), 15 (Building Permit), 16 (Zoning) and 18 (Encroachment of boundary walls or fences) are subject to Deductible Amounts and Maximum Dollar Limits of Liability

EXCLUSIONS

In addition to the Exceptions in Schedule B, you are not insured against loss, costs, attorneys' fees, and expenses resulting from:

- 1 Governmental police power, and the existence or violation of any law or government regulation. This includes ordinances, laws and regulations concerning:
a building b zoning
c land use d improvements on the land
e land division f environmental protection
- This exclusion does not apply to violations or the enforcement of these matters if notice of the violation or enforcement appears in the Public Records at the Policy Date.
This exclusion does not limit the coverage described in Covered Risk 14, 15, 16, 17 or 24.
- 2 The failure of Your existing structures, or any part of them, to be constructed in accordance with applicable building codes. This Exclusion does not apply to violations of building codes if notice of the violation appears in the Public Records at the Policy Date.
- 3 The right to take the Land by condemning it, unless:
a a notice of exercising the right appears in the Public Records at the Policy Date; or
b the taking happened before the Policy Date and is binding on You if You bought the Land without Knowing of the taking
- 4 Risks:
a that are created, allowed, or agreed to by You, whether or not they appear in the Public Records;
b that are known to You at the Policy Date, but not to Us, unless they appear in the Public Records at the Policy Date;
c that result in no loss to You; or
d that first occur after the Policy Date - this does not limit the coverage described in Covered Risk 7, 8 d, 22, 23, 24 or 25
- 5 Failure to pay value for Your Title
- 6 Lack of a right:
a to any Land outside the area specifically described and referred to in paragraph 3 of Schedule A; and
b. in streets, alleys, or waterways that touch the Land.
This exclusion does not limit the coverage described in Covered Risk 11 or 18

12. SECOND GENERATION EAGLE LOAN POLICY AMERICAN LAND TITLE ASSOCIATION EXPANDED COVERAGE RESIDENTIAL LOAN POLICY (10/13/01)

EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

- 1 (a) Any law, ordinance or governmental regulation (including but not limited to building and zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating to (i) the occupancy, use, or enjoyment of the Land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the Land; (iii) a separation in ownership or a change in the dimensions or area of the Land or any parcel of which the Land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the Land has been recorded in the Public Records at Date of Policy. This exclusion does not limit the coverage provided under Covered Risks 12, 13, 14 and 16 of this policy.
(b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the Public Records at Date of Policy. This exclusion does not limit the coverage provided under Covered Risks 12, 13, 14 and 16 of this policy.
- 2 Rights of eminent domain unless notice of the exercise thereof has been recorded in the Public Records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without Knowledge
- 3 Defects, liens, encumbrances, adverse claims or other matters:
(a) created, suffered, assumed or agreed to by the Insured Claimant;
(b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;
(c) resulting in no loss or damage to the Insured Claimant;
(d) attaching or created subsequent to Date of Policy (this paragraph does not limit the coverage provided under Covered Risks 8, 16, 18, 19, 20, 21, 22, 23, 24, 25 and 26); or
(e) resulting in loss or damage which would not have been sustained if the Insured Claimant had paid value for the Insured Mortgage
- 4 Unenforceability of the lien of the Insured Mortgage because of the inability or failure of the Insured at Date of Policy, or the inability or failure of any subsequent owner of the indebtedness, to comply with applicable doing business laws of the state in which the Land is situated.
- 5 Invalidity or unenforceability of the lien of the Insured Mortgage, or claim thereof, which arises out of the transaction evidenced by the Insured Mortgage and is based upon usury, except as provided in Covered Risk 27, or any consumer credit protection or truth in lending law
- 6 Real property taxes or assessments of any governmental authority which become a lien on the Land subsequent to Date of Policy. This exclusion does not limit the coverage provided under Covered Risks 7, 8 (e) and 26
- 7 Any claim of invalidity, unenforceability or lack of priority of the lien of the Insured Mortgage as to advances or modifications made after the Insured has Knowledge that the vestee shown in Schedule A is no longer the owner of the estate or interest covered by this policy. This exclusion does not limit the coverage provided in Covered Risk 8
- 8 Lack of priority of the lien of the Insured Mortgage as to each and every advance made after Date of Policy, and all interest charged thereon, over liens, encumbrances and other matters affecting title, the existence of which are Known to the Insured at:
(a) The time of the advance; or
(b) The time a modification is made to the terms of the Insured Mortgage which changes the rate of interest charged, if the rate of interest is greater as a result of the modification than it would have been before the modification.
This exclusion does not limit the coverage provided in Covered Risk 8
- 9 The failure of the residential structure, or any portion thereof to have been constructed before, on or after Date of Policy in accordance with applicable building codes. This exclusion does not apply to violations of building codes if notice of the violation appears in the Public Records at Date of Policy

SCHEDULE B

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) which arise by reason of:

- 1 The following existing statutes, reference to which are made part of the ALTA 8 1 Environmental Protection Lien Endorsement Incorporated into this Policy following item 28 of Covered Risks: NONE

13. SECOND GENERATION EAGLE LOAN POLICY AMERICAN LAND TITLE ASSOCIATION EXPANDED COVERAGE RESIDENTIAL LOAN POLICY (10/13/01) WITH REGIONAL EXCEPTIONS

When the American Land Title Association loan policy with EAGLE Protection Added is used as a Standard Coverage Policy and not as an Extended Coverage Policy the exclusions set forth in paragraph 12 above are used and the following exceptions to coverage appear in the policy:

SCHEDULE B

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) which arise by reason of:
Part One:

- 1 Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records.
- 2 Any facts, rights, interests, or claims which are not shown by the public records but which could be ascertained by an inspection of said land or by making inquiry of persons in possession thereof.
- 3 Easements, claims of easement or encumbrances which are not shown by the public records.
- 4 Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by public records
- 5 Unpatented mining claims; reservations or exceptions in patents or in acts authorizing the issuance thereof; water rights, claims or title to water.
- 6 Any lien, or right to a lien, for services, labor or material theretofore or hereafter furnished, imposed by law and not shown by the public records
- Part Two:

PRIVACY POLICY

We Are Committed to Safeguarding Customer Information

In order to better serve your needs now and in the future, we may ask you to provide us with certain information. We understand that you may be concerned about what we will do with such information – particularly any personal or financial information. We agree that you have a right to know how we will utilize the personal information you provide to us. Therefore, together with our parent company, The First American Corporation, we have adopted this Privacy Policy to govern the use and handling of your personal information.

Applicability

This Privacy Policy governs our use of the information which you provide to us. It does not govern the manner in which we may use information we have obtained from any other source, such as information obtained from a public record or from another person or entity. First American has also adopted broader guidelines that govern our use of personal information regardless of its source. First American calls these guidelines its *Fair Information Values*; a copy of which can be found on our website at www.firstam.com.

Types of Information

Depending upon which of our services you are utilizing, the types of nonpublic personal information that we may collect include:

- Information we receive from you on applications, forms and in other communications to us, whether in writing, in person, by telephone or any other means;
- Information about your transactions with us, our affiliated companies, or others; and
- Information we receive from a consumer reporting agency.

Use of Information

We request information from you for our own legitimate business purposes and not for the benefit of any nonaffiliated party. Therefore, we will not release your information to nonaffiliated parties except: (1) as necessary for us to provide the product or service you have requested of us; or (2) as permitted by law. We may, however, store such information indefinitely, including the period after which any customer relationship has ceased. Such information may be used for any internal purpose, such as quality control efforts or customer analysis. We may also provide all of the types of nonpublic personal information listed above to one or more of our affiliated companies. Such affiliated companies include financial service providers, such as title insurers, property and casualty insurers, and trust and investment advisory companies, or companies involved in real estate services, such as appraisal companies, home warranty companies, and escrow companies. Furthermore, we may also provide all the information we collect, as described above, to companies that perform marketing services on our behalf, on behalf of our affiliated companies, or to other financial institutions with whom we or our affiliated companies have joint marketing agreements.

Former Customers

Even if you are no longer our customer, our Privacy Policy will continue to apply to you.

Confidentiality and Security

We will use our best efforts to ensure that no unauthorized parties have access to any of your information. We restrict access to nonpublic personal information about you to those individuals and entities who need to know that information to provide products or services to you. We will use our best efforts to train and oversee our employees and agents to ensure that your information will be handled responsibly and in accordance with this Privacy Policy and First American's *Fair Information Values*. We currently maintain physical, electronic, and procedural safeguards that comply with federal regulations to guard your nonpublic personal information.

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EXHIBIT N

SELLER'S DOCUMENTS AND MATERIALS

Delivered to Centex Homes on July 11, 2006 and July 18, 2006 with additional documents added July 19, July 26 and July 28, 2006 and August 16, 2006

<u>Item</u>	<u>Description</u>	
1	Mapping CD and Master Plan Dated 8-18-04	
2	Placer County 2005-2006 Secured Property Tax Statement	
3	Aerial, May 2006 Master Site Plan Commercial Site Plan	
4	Revised Conditions of Approval City of Roseville Dated 4/29/05 And Diamond Creek Commercial Center Concept Book By Carter Burgess	7/18/06
5	Preliminary Title Report and All Exceptions First American Title Company Dated April 6, 2006 and 6/27/06	7/18/06
6	Geotechnical Report Diamond Creek Commercial and Retail Development Parcels 30, 31 and 33 by Anderson Consulting Group and Updated Report by ENGEO, dated July 6, 2004	
7	Phase 1 Environmental Site Assessment Update Diamond Creek Parcels 30, 31, 32 and 33, North Roseville Specific Plan by Anderson Consulting Group	
8	North Roseville Specific Plan Adopted August 6, 1997 Prepared for the City of Roseville	
9	(A) North Roseville Specific Plan Draft Environmental Impact Report (B) North Roseville Specific Plan Final Environmental Impact Report Dated July 1997 Prepared by EIP Associates	

Item **Description**

10 Rough Grading Plan for Diamond Creek Commercial
Dated 5-20-03

Plan Sets: (rolled sheets)

1	Master Plan Layout/Site Plan Diamond Creek Commercial Master Plan Stage II Parcels 30, 31 and 33 Dated 3/4/02
2	Parking Plan and Pedestrian Circulation Plan Diamond Creek Commercial Master Plan Stage II Parcels 30, 31 and 33 Dated 3/4/02
3	Grading and Utility Plan Diamond Creek Commercial Master Plan Stage II Parcels 30, 31 and 33 Dated 3/4/02

Rezone Documents:

1. Application Form with Tentative Map
2. Response to City P.E.M. meeting of February 22, 2006, Memorandum from Ubora Engineering and Planning dated March 8, 2006 and City Comments from Project Evaluation Meeting (PEM) dated February 22, 2006
3. Trip Generation and Parking Report, dated July 3, 2006
4. Parkside Way Driveways, letter from Fehr & Peers dated March 7, 2006
5. Environmental Noise Assessment, dated January 31, 2006
6. Maintenance Building letter from Mark Day, Dahlin Group, dated March 9, 2006
7. Fiscal Analysis, Draft Memorandum from Economic & Planning Systems (EPS) dated March 3, 2006
8. Concept Book, revised March 7, 2006
9. Color Concepts 17 x 11, dated April 14, 2006

10. Conceptual Site Plan – O, revised March 7, 2006
11. Conceptual Floor Plans dated June 14, 2006 7/18/06
12. Conceptual Landscape Plans, dated March 8, 2006
13. Tentative Subdivision Map, dated March 8, 2006, by Ubora
14. General Plan Amendment and Rezoning Exhibit, dated March 21, 2006, revised July 11, 2006
15. High School and Elementary School Impact Mitigation Agreements
16. Development Agreement, draft submitted to City on May 19, 2006
17. Letter from Paul Richardson, Director, Planning and Redevelopment regarding support for project, dated September 8, 2005
18. Letter from City Planner dated May 18, 2005, regarding anticipated project schedule
19. Draft Sanitary Sewer Analysis, dated July 7, 2006
20. Letter from Environmental Utilities Director regarding Water Supply, dated June 21, 2006
21. Tentative list of Tasks to be Completed from City Planner, dated July 10, 2006
22. Existing Commercial Master Plan versus Proposed Village Plan
23. E-mail from Eileen Bruggeman to Stephen L. Des Jardins regarding Status of Diamond Creek Rezone, dated July 17, 2006
24. Building Fees, dated 6-8-06
25. Single Family First, Second and Third Floor Plan Concepts, dated June 14, 2006
26. Revised Amendment to NRSP High School Impact Fee Mitigation Agreement, attachment to an E-mail from Martin Steiner, Esq. of Hefner, Stark & Marois, dated July 19, 2006
27. Revised Development Agreement for Diamond Creek Rezone, attachment to an E-mail from Martin Steiner, Esq., of Hefner, Stark & Marois, dated July 19, 2006
28. School Mitigation Agreements, attachments to an E-mail from Martin Steiner, Esq., of Hefner, Stark & Marois, dated July 26, 2006, including existing High School Impact Fee

Agreement, pending Second Amendment to High School Impact Fee Agreement, existing Elementary and Middle School Impact Mitigation Agreement, and pending Mitigation Agreement

29. Final Land Development Estimate prepared by Casey Wilder, Centex Homes, dated July 2006, provided by David Hunter in E-mail dated July 28, 2006
30. Letter to Roseville City Attorney, Mark Doane, dated July 15, 1997, and back-up documentation regarding 404 Permit

EXHIBITS G-1, G-2, AND G-3 OF THE
PURCHASE AGREEMENT

Exhibit G-1
Pro Forma

Sales Revenue	Price B	Sq Ft	# Lots	Est'd G-2 Price Adj. +/-	Pre Close	Pre Close Pricing
Plan 1	\$ 390,000.00	1,494	39		\$ 390,000.00	\$261.04
Plan 2	\$ 400,000.00	1,537	41		\$ 400,000.00	\$260.25
Plan 3	\$ 462,000.00	2,155	51		\$ 462,000.00	\$214.39
Plan 3B		2,608				
Total		1,765	131			
Weighted Avg Sq ft						
Average Sales Price						
Plus Option Revenue						
Total Revenue						
4.00%						
\$ 438,006.72						
*Avg Sales Price + Option Rev						
Less Lot Costs:						
Lot Finish Costs						
\$ 2,379,484						
Option Costs						
B&M - Hard Cost - Construction						
\$ 76.55						
Exhibit H - Permit Fees						
1,765						
(\$ Exhibit H - Permit Fees Adjustments +/-)						
\$ 25.65						
Model Costs						
\$ 748,975.00						
\$ 5,725.00						
Medal Costs						
\$ 512,405.00						
\$ 3,911.49						
Real Estate Taxes						
Sales Commissions						
2.00%						
\$ 8,760.13						
*Total Rev X 3.0%						
Total Lot Costs						
\$ 228,362.16						
*Sum of all lot costs						
Less Gross Margin						
25%						
\$ 109,501.68						
*Total Rev per Lot X 25%						
Total Purchase Price Per Lot						
\$ 100,122.88						
*Total Rev per Lot - Total Costs per Lot - Gross Margin						
Total Land Purchase Price						
\$ 13,116,097.60						
*Purchase Price Per Lot X # of Lots						
Phase I Price Per Lot (61 Lots)						
81						
\$ 100,122.88						
*Total Purchase Price Per Lot						
Phase II Price Per Lot (50 Lots)						
50						
\$ 109,133.94						
*Phase I Price Per Lot X 1.05%						
Total Purchase Price (131 Lots)						
\$ 13,566,560.57						
*Phase I Price Per Lot X 61 Lots + *Phase II Price Per Lot X 50 Lots						
Total Lots						
131						

Exhibit G2

Methodology For Market Adjustments to Purchase Price

This methodology is required by Section 1.2.5 of the attached Agreement. This methodology computes an "Aggregate Average Sales Price" shown below, and tracks the change in such Aggregate Average Sales Price that might occur prior to the Closing. The five market comparables below ("Market Comparables") represent the parties' mutually agreed upon terms and conditions upon which actual new homes are being sold in Roseville, CA as of July 20, 2006, and which will likely be available for sale at the anticipated time Closing is scheduled to occur. No more than thirty (30) days prior to the anticipated Closing Date, the Aggregate Average Sales Price shown below shall be updated, using the same five Market Comparables shown below, to the extent such comparables are still available. Such updating of the Market Comparables is referred to herein as the "Comparables Update." Any difference in the Aggregate Average Sales Price, for example, \$5,000, will be added or subtracted (as the case may be) to each and every home sale price for Buyer's homes shown on Exhibit G1 attached to the Agreement.

In the event at least twenty (20) days prior to the anticipated Closing Date Buyer and Seller do not agree upon the Comparables Update after jointly re-shopping the five Market Comparables, then either LeBlanc or About Face or The Whitney Group (i.e., secret shopper consultants) will be hired, with costs split equally by Buyer and Seller, to determine the Comparables Update. Buyer and Seller each have the right to ask for a second opinion on Comparables Update, at their own expense, by hiring one of the other secret shopper services mentioned above. If the result is less than a \$3,000 difference in the Aggregate Average Sales Price, then that party's second shopper results shall be discarded; if the difference is more than a \$3,000, then the first and second shopper(s) findings of Aggregate Average Sales Price will be arithmetically averaged together, and the result shall be the final determination of the Comparables Update. Buyer and Seller shall then use the Comparables Update to calculate the then-current Aggregate Average Sales Price.

For each of the following Market Comparables, the amount for "incentives" was and will be determined as follows:

(a) For all financial incentives, the amount shall be equal to the actual dollar savings to the home-buying customer. For example, if the home seller is willing to give a \$10,000 price incentive, then \$10,000 will be included in the incentives included in the Market Comparables. As another example, if the home seller is willing to decrease the interest rate or payments on the home buyer's loan payment, then a calculation of the actual dollars the home buyer will save will be included in the incentives included in the Market Comparables.

(b) For non-financial incentives, the amount shall be equal to the cost the home seller paid for such incentive, which cost shall be stipulated to be 68% of the retail price of such non-financial incentive. For example, if a home seller is willing to include a free swimming pool or granite countertops with the sale of a home, then the retail price of such items, multiplied by 68% will be included in the incentives included in the Market Comparables. The retail prices shall be determined by the amounts such home seller normally charges the home-buying public, per their options sales list. For non-financial incentives not normally sold by the home seller, such as an automobile give-away incentive, the retail sticker price on such items will be included in the incentives included in the Market Comparables.

Comparable #1 Villemont Plan 1639 SF in the Tim Lewis Communities Project being sold by Tim Lewis)

\$380,000	advertised sales price
- 10,000	financial incentives
\$370,000	actual sales price
x 1.1%	plus 10%, mutually agreed upon adjustment factor for all comparables due to quality of Diamond Creek
\$407,000	adjusted sales price

Comparable #2 Longmeadow Plan 1688 (Jasmine) SF in the JMC Homes Project being sold by JMC

\$439,990	advertised sales price
- 30,000	financial incentives
\$409,990	
- 30,600	non-financial incentives (upgrades)
\$388,900	
x 1.1%	plus 10%, mutually agreed upon adjustment factor for all comparables due to quality of Diamond Creek
\$417,329	adjusted sales price

Comparable #3 Legacy at Junction 1981 SF plan in the D.R. Horton Project being sold by D.R. Horton

\$401,000	advertised sales price
- 21,000	financial incentive (no payments for X months)
\$380,000	actual sales price
x 1.1%	plus 10%, mutually agreed upon adjustment factor for all comparables due to quality of Diamond Creek
\$420,000	adjusted sales price

Comparable #4 Altessa at Woodcreek 2135 SF plan in the Tim Lewis Project being sold by Tim Lewis

\$452,000	advertised sales price
- 32,000	incentive
\$420,000	actual sales price
x 1.1%	plus 10%, mutually agreed upon adjustment factor for all comparables due to quality of Diamond Creek
\$462,000	adjusted sales price

Comparable #5 Strada 1464 SF plan in the John Laing Homes Project being sold by John Laing

\$384,603	advertised sales price
- 10,000	incentive
\$374,603	actual sales price
x 1.1%	plus 10%, mutually agreed upon adjustment factor for all comparables due to quality of Diamond Creek
\$411,000	adjusted sales price

Comparable 1: \$407,000

Comparable 2: \$417,329

Comparable 3: \$420,000

Comparable 4: \$462,000

Comparable 5: \$411,000

The average of the five Market Comparables list above is the "Aggregate Average Competitive Sales Price" contemplated by Section 1.2.5 of the Agreement: \$424,665 as of July 20, 2006. This number shall be compared with the Aggregate Average Competitive Sales Price determined by the Comparables Update. The difference (for example, \$5,000) will be added or subtracted (as the case may be) to each and every home sales price for Buyer's homes shown on Exhibit G-1 attached to the Agreement. Then the "Total Land Purchase Price" (residual) in Exhibit G-1 shall be recalculated, thereby adjusting the Purchase Price according to Section 1.2.5 of the Agreement.

Exhibit G-3

EXAMPLE OF G-1 AT COE WITH MARKET PRICE & PERMIT FEE COST ADJUSTMENTS

ASSUMPTION: SALES PRICE FROM EXHIBIT G-2 INCREASED \$10,000 & PERMIT FEES FROM EXHIBIT H INCREASED \$5,000

Sales Revenue	Price/B	Sq Ft	# Lots	Pre Close		Pre Close	
				Exh G-2 Price Adj +/-	Pricing	Price/adj	
Plan 1	\$ 390,000.00	1,494	39	10,000	\$	400,000.00	\$267.74
Plan 2	\$ 400,000.00	1,937	41	10,000	\$	410,000.00	\$266.75
Plan 3	\$ 462,000.00	2,155	51	10,000	\$	472,000.00	\$219.03
Plan 4	\$ 462,000.00	2,660	51	10,000	\$	472,000.00	\$219.03
Total		1,765	131		\$		
Weighted Avg Sq ft							
				4.00%	\$	491,160.91	*[Gross sales pricing plan] X # of Lots plan1) + [Gross sales pricing plan] X # of Lots plan2) + [Gross sales pricing plan] X # of Lots plan3) + [Gross sales pricing plan] X # of Lots plan4)
Average Sales Price					\$	17,246.61	*[Gross sales pricing plan] X # of Lots plan1) + [Gross sales pricing plan] X # of Lots plan2) + [Gross sales pricing plan] X # of Lots plan3) + [Gross sales pricing plan] X # of Lots plan4)
Plus Option Revenue					\$	448,406.72	*[Option Rev] X # of Lots
Total Revenue					\$		
Less Lot Costs:							
Lot Finish Costs					\$	18,164.00	
Option Costs				68.00%	\$	11,727.56	*[Option Rev] X 68%
B&M - Hard Cost - Construction					\$	135,094.97	
B&M - Soft Costs					\$	45,271.00	
(Exhibit H - Permit Fees Adjustments +/-)					\$	5,000.00	
Model Costs					\$	5,235.00	*[Model Costs] X # of Lots
Real Estate Taxes					\$	3,911.49	*[Real Est. Taxes] X # of Lots
Sales Commissions				2.00%	\$	8,968.13	*[Total Rev] X 2.0%
Total Lot Costs					\$	233,662.16	*[Sum of all lot costs]
Less Gross Margin				25%	\$	112,101.68	*[Total Rev] X 25%
Total Purchase Price Per Lot					\$	102,442.88	*[Total Rev per Lot - Total Costs per Lot - Gross Margin]
Total Land Purchase Price					\$	13,420,017.60	*[Purchase Price Per Lot] X # of Lots
Phase 1 Price Per Lot (81 Lots)				81	\$	102,442.88	*[Total Purchase Price Per Lot]
Phase II Price Per Lot (50 Lots)				50	\$	111,662.74	*[Phase I Price Per Lot] X 1.05%
Total Purchase Price (131 Lots)					\$	13,881,016.57	*[Phase I Price Per Lot] X 81 Lots + [Phase II Price Per Lot] X 50 Lots
Total Lots							131

GLOSSARY OF TERMS

GLOSSARY OF TERMS

Unless otherwise noted, the following definitions are from The Dictionary of Real Estate Appraisal, 4th ed. (Chicago: Appraisal Institute, 2002), with the page number in parentheses following the definition.

Accrued Depreciation: The difference between the reproduction or replacement cost of the improvements on the effective date of the appraisal and the market value of the improvements on the same date. (4)

Aggregate Value or Aggregate Retail Value: The sum of the appraised values of the individual units in a subdivision, as if all of the units were completed and available for retail sale, as of the date of the appraisal. The sum of the retail sales includes an allowance for lot premiums, if applicable, but excludes all allowances for carrying costs. (8)

Bulk (Discounted) Value: 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 stress. (Appraisal Standards For Land-Secured Financing, California Department Advisory Commission, 1994, p. 9)

Comparative-Unit: A method used to derive a cost estimate in terms of dollars per unit of area or volume based on known costs of similar structures that are adjusted for time and physical differences; usually applied to total building area. (55)

Cost Approach: A set of procedures through which a value indication is derived for the fee simple interest in a property by estimating the current cost to construct a reproduction of (or replacement for) the existing structure,

including an entrepreneurial incentive, deducting depreciation from the total cost, and adding the estimated land value. Adjustments may then be made to the indicated fee simple value of the subject property to reflect the value of the property interest being appraised. (67)

Depreciation: A loss in property value from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the market value of the improvement on the same date. (79)

Direct Capitalization: A method used to convert an estimate of a single year's income expectancy into an indication of value in one direct step, either by dividing the income estimate by an appropriate rate or by multiplying the income estimate by an appropriate factor. (83)

Discounted Cash Flow (DCF) Analysis: The procedure in which a discount rate is applied to a set of projected income streams and a reversion. The analyst specifies the quantity, variability, timing and duration of the income streams as well as the quantity and timing of the reversion and discounts each to its present value at a specified yield rate. DCF analysis can be applied with any yield capitalization technique and may be performed on either a lease-by-lease or aggregate basis. (84)

Discount Rate: An interest rate used to convert future payments or receipts into present value. The discount rate may or may not be the same as the internal rate of return (IRR) or yield rate depending on how it is extracted from the market and/or used in the analysis. (84)

Easement: An interest in real property that conveys use, but not ownership, of a portion of an owner's property. Access or right of way easements may be acquired by private parties or public utilities.

Exposure Time: 1) The time a property remains on the market. 2) The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based on an analysis of past events assuming a competitive and open market. Exposure time is always presumed to occur prior to the effective date of the appraisal. The overall concept of reasonable exposure encompasses not only adequate, sufficient and reasonable time but also adequate, sufficient and reasonable effort. Exposure time is different for various types of real estate and value ranges and under various market conditions. (105)

External Obsolescence: An element of depreciation; a defect, usually incurable, caused by negative influences outside a site and generally incurred on the part of the owner, landlord, or tenant. (106)

Extraction Method: A method of estimating land value in which the depreciated cost of the improvements on the improved property is estimated and deducted from the total sale price to arrive at an estimated sale price for the land; most effective when the improvements contribute little to the total sale price of the property. (106)

Fair Market Value: 1) The fair market value of the property taken is the highest price on the date of valuation that would be agreed to by a seller, being willing to sell but under no particular or urgent necessity for so doing, nor obliged to sell, and a buyer, being ready, willing, and able to buy but under no particular necessity for so doing, each dealing with the other with the full knowledge of all of the uses

and purpose for which the property is reasonably adaptable and available. 2) The fair market value of the property taken for which there is no relevant market data is its value on the date of valuation as determined by any method of valuation that is just and equitable.

Fee Simple Estate: absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat. (113)

Floor-Area Ratio (FAR): The relationship between the above-ground floor area of a building, as described by the building code, and the area of the plot on which it stands; in planning and zoning, often expressed as a decimal, e.g., a ratio of 2.0 indicates that the permissible floor area of a building is twice the total land area. (117)

Functional Obsolescence: An element of depreciation resulting from deficiencies or superadequacies in the structure. (122)

Highest and Best Use: The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility and maximum productivity. (135)

Highest and Best Use as Improved: The use that should be made of a property as it exists. An existing improvement should be renovated or retained as is so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one. (135)

Highest and Best Use as Though Vacant: Among all reasonable, alternative uses, the use that yields the highest present land value,

after payments are made for labor, capital, and coordination. The use of a property based on the assumption that the parcel of land is vacant or can be made vacant by demolishing any improvements. (135)

Hypothetical Condition: That which is contrary to what exists but is supposed for the purpose of analysis. (Uniform Standards of Professional Appraisal Practice, Appraisal Standards Board, 2005, p. 3)

Income Capitalization Approach: A set of procedures through which an appraiser derives a value indication for an income-producing property by converting its anticipated benefits (cash flows and reversion) into property value. This conversion can be accomplished in two ways. One year's income expectancy can be capitalized at a market-derived capitalization rate or at a capitalization rate that reflects a specified income pattern, return on investment, and change in the value of the investment. Alternatively, the annual cash flows for the holding period and the reversion can be discounted at a specified yield rate. (143)

Insurable Value: Value used by insurance companies as the basis for insurance. Often considered to be replacement or reproduction cost plus allowances for debris removal or demolition less deterioration and noninsurable items. Sometimes cash value or market value, but often entirely a cost concept. (147)

Leased Fee Interest: an ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the lessee are specified by contract terms contained within the lease. (161)

Leasehold Interest: the interest held by the lessee (the tenant or renter) through a lease transferring the rights of use and occupancy for a state term under certain conditions. (162)

Liquidation Value: The most probable price

that a specified interest in real property is likely to bring under all of the following conditions: 1) consummation of a sale will occur within a severely limited future marketing period specified by the client; 2) the actual market conditions currently prevailing are those to which the appraised property interest is subject; 3) the buyer is acting prudently and knowledgeably; 4) the seller is under extreme compulsion to sell; 5) the buyer is typically motivated; 6) the buyer is acting in what he or she considers his or her best interest; 7) a limited marketing effort and time will be allowed for the completion of a sale; 8) payment will be made in cash in U.S. dollars or in terms of financial arrangements comparable thereto; and 9) the price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. (167)

Market Value: The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: buyer and seller are typically motivated; both parties are well informed or well advised, and acting in what they consider their own best interests; a reasonable time is allowed for exposure in the open market; payment is made in terms of cash in United States Dollars or in terms of financial arrangements comparable thereto; and the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. (Federal Register, vol. 55, no. 163, August 22, 1990, pp. 34228 and 34229).

Marketing Time: 1) The time it takes an interest in real property to sell on the market subsequent to the date of an appraisal. 2)

Reasonable marketing time is an estimate of the amount of time it might take to sell an interest in real property at its estimated market value during the period immediately after the effective date of the appraisal; the anticipated time required to expose the property to a pool of prospective purchasers and to allow appropriate time for negotiation, the exercise of due diligence, and the consummation of a sale at a price supportable by current market conditions. Marketing time differs from exposure time, which is always presumed to precede the effective date of the appraisal. (175)

Neighborhood: A group of complementary land uses; a congruous grouping of inhabitants, buildings, or business enterprises. (193)

Obsolescence: One cause of depreciation; an impairment of desirability and usefulness caused by new inventions, changes in design, improved processes for production, or external factors that make a property less desirable and valuable for a continued use; may be either functional or external. (199)

Prospective Value Opinion: A forecast of the value expected at a specified future date. A prospective value opinion is most frequently sought in connection with real estate projects that are proposed, under construction, or under conversion to a new use, or those that have not achieved sellout or a stabilized level of long-term occupancy at the time the appraisal report is written. (224)

Quantity Survey: A cost-estimating method in which the quantity and quality of all materials used and all categories of labor required are estimated and unit cost figures are applied to arrive at a total cost estimate for labor and materials. (228)

Replacement Cost: The estimated cost to construct, at current prices as of the effective appraisal date, a building with utility equivalent to the building being appraised,

using modern materials and current standards, design, and layout. (244)

Reproduction Cost: The estimated cost to construct, at current prices as of the effective date of the appraisal, an exact duplicate or replica of the building being appraised, using the same materials, construction standards, design, layout, and quality of workmanship and embodying all the deficiencies, superadequacies, and obsolescence of the subject building. (244)

Sales Comparison Approach: A set of procedures in which a value indication is derived by comparing the property being appraised to similar properties that have been sold recently, then applying appropriate units of comparison and making adjustments to the sale prices of the comparables based on the elements of comparison. The sales comparison approach may be used to value improved properties, vacant land, or land being considered as though vacant; it is the most common and preferred method of land valuation when an adequate supply of comparable sales are available. (255)

Site Coverage: The proportion of the net or gross land area of a site that is occupied by a building or buildings (70)

Stabilized Occupancy: Occupancy at that point in time when abnormalities in supply and demand or any additional transitory conditions cease to exist and the existing conditions are those expected to continue over the economic life of the property; the optimum range of long-term occupancy that an income-producing real estate project is expected to achieve under competent management after exposure for leasing in the open market for a reasonable period of time at terms and conditions comparable to competitive offerings. (274)

Subdivision Development Method: A method of estimating land value when subdivision and development are the highest

and best use of the parcel of land being appraised. When all direct and indirect costs and entrepreneurial incentive are deducted from an estimate of the anticipated gross sales price of the finished lots, the resultant net sales proceeds are then discounted to present value at a market-derived rate over the development and absorption period to indicate the value of the raw land. (279)

Superadequacy: An excess in the capacity or quality of a structure or structural component; determined by market standards.

Unit-In-Place: A cost-estimating method in which total building cost is estimated by adding together the unit costs for the various building components as installed; also called segregated cost method. (300)

Valuation Process: The valuation process is a systematic procedure employed to provide the answer to a client's question about the value of real property. (305)

Value As Is: The value of specific ownership rights to an identified parcel of real estate as of the effective date of the appraisal; relates to what physically exists and is legally permissible and excludes all assumptions concerning hypothetical market conditions or possible rezoning. (306)

Yield Capitalization: Yield capitalization is the capitalization method used to convert future benefits into present value by discounting each future benefit at an appropriate yield rate or by developing an overall rate that explicitly reflects the investment's income pattern, value change, and yield rate. (315)

QUALIFICATIONS OF APPRAISER (S)



Seevers
Jordan
Ziegenmeyer

Real Estate Appraisal & Consultation

Northern California/Nevada
3825 Atherton Road, Suite 500
Rocklin, California 95765

P: (916) 435-3883 F: (916) 435-4774

P. Richard Seevers, MAI, Partner

Introduction

Mr. Seevers is the principal of an appraisal firm that engages in a wide variety of real estate valuation and consultation assignments for loan underwriting and estate planning. The scope of his practice includes office, retail, industrial, apartments, subdivisions, large tracts of vacant land and special purpose properties. With 27 years of experience, he has developed the expertise and background necessary to deal with complex properties and valuation assignments. The client base includes financial institutions, government agencies, developers and investors. The geographic scope of the practice includes Redding to Bakersfield, California, and Reno, Nevada.

Professional Affiliations

Appraisal Institute - MAI and SRA designations
Certified General Real Estate Appraiser - State of California (No. AG001723)
Licensed California Real Estate Broker
Sacramento Area Commerce and Trade Organization (SACTO)
Association of Commercial Real Estate (ACRE)
Past President - Appraisal Institute Sacramento-Sierra Chapter

Education

Academic

Bachelor of Science in Business Administration, Bowling Green State University, Ohio
Masters in Business Administration (MBA), Golden Gate University, San Francisco

Appraisal and Real Estate Courses

The Masters Class
Introduction to Business Valuation
Skills of Expert Testimony
Dynamics of Office Building Valuation
Valuation and Exchange of Real Property in Western Europe and the Pacific Rim
Valuation of Special Purpose Properties
Inverse Condemnation
Valuation of Contaminated Properties
The Appraiser as an Expert Witness
The Appraisal of Partial Acquisitions
Litigation Valuation
Practical Overview of Evaluation and Other Limited Scope Assignments
Standards of Professional Practice, Parts A & B
Highest and Best Use and Market Analysis
Assessment Bond Seminar
Investment Analysis
Subdivision Analysis
Easement Valuation Workshop
(continued on next page...)



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Jordan
Ziegenmeyer

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Eminent Domain Appraising in California
The Valuation of Skilled Nursing Homes
Attacking and Defending an Appraisal in Litigation
Lease Abstracting and Analysis
Public Interest Value vs. Market Value
Valuation from the Investor/Developer View Point
Vineyard Valuation
Standards of Professional Practice, Part C
Federal Land Exchanges & Acquisitions
Partial Interest Valuation - Undivided
The Law & Value: Communication Corridors, Tower Sites and Property Rights
Entitlements, Land Subdivision & Valuation
Conservation Easement Valuation
Real Estate Finance, Value and Investments
Rates, Ratios and Reasonableness
Supporting Capitalization Rates
Commercial Leasing

Appraisal Experience

General-purpose

Offices
Retail
Industrial
Apartments
Subdivisions
Land

Special-purpose

Athletic Clubs
Churches
Educational Facilities
Restaurants
Refrigerated Warehouses
Assisted-living Facilities
Auto Sales and Service
Lodging Facilities



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Jordan
Ziegenmeyer**

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Kevin K. Ziegenmeyer, Partner

Introduction

Mr. Ziegenmeyer is a partner with Seevers Jordan Ziegenmeyer, a real estate appraisal firm that engages in a wide variety of real estate valuation and consultation assignments. In 1989, Mr. Ziegenmeyer began his career in real estate as a controller for a commercial and residential real estate development corporation. In 1991 he began appraising and continued to be involved in appraisal assignments covering a wide variety of properties, including office, retail, industrial, income residential and subdivisions throughout the Central Valley area of California, Northern Nevada, and within the Sacramento Metropolitan Area. Mr. Ziegenmeyer has developed the expertise and background necessary to deal with complex assignments covering a wide range of property types. Over the past several years, Mr. Ziegenmeyer has been handling many of the firm's master-planned property appraisals.

Professional Affiliations

Associate Member (General) - Appraisal Institute

Certified General Real Estate Appraiser - State of California (No. AG013567)

Education

Academic:

Bachelor of Science in Accounting, Azusa Pacific University, California

Appraisal and Real Estate Courses

Standards of Professional Practice, Parts A & B

Basic Valuation Procedures

Real Estate Appraisal Principles

Capitalization Theory and Techniques, Part A

Advanced Income Capitalization

Report Writing and Valuation Analysis

Advanced Applications



**Seevers
Jordan
Ziegenmeyer**

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Rocklin, California 95765

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Sample of Appraisal Experience

City of Sacramento Development Fee Financing
Community Facilities District No. 95-01
Annexation No. 2 (Meadowview Estates)
Sacramento, Sacramento County, California

The hypothetical market valuation of partially completed residential subdivision that included 163 improved single-family homes, six model homes, 167 improved single-family residential lots and 183 partially improved single-family residential lots. The appraisal was used for bond underwriting purposes and was prepared for the City of Sacramento.

Bickford Ranch Community Facilities District No.
2003-1
Placer County, California

The hypothetical market valuation of a proposed master planned community that will include 847.2 acres of land designated for 1,783 residential lots and a 9.7-acre commercial component. The appraisal will be used for bond underwriting purposes and was prepared for the County of Placer.

El Dorado Hills Community Facilities District No. 1992-
1 (portion)
El Dorado County, California

This assignment involved the hypothetical cumulative, or aggregate, valuation of a sizeable portion of the existing Serrano master planned community. The appraisal included 1,597 single-family residential lots, 382 custom single-family residential lots, 33.05 acres of commercial land and 344 existing single-family residences. The appraisal will be used for bond underwriting purposes and was prepared for the County of El Dorado.

Community Facilities District No. 16
West Sacramento, California

This project involved the valuation of Bridgeway Lakes, a high-end 609-lot single-family residential community located in the Southport area of West Sacramento. Lot densities within the project varied from low and medium density to rural estate lots. This report was prepared for the City of West Sacramento.

Community Facilities District No. 17
West Sacramento, California

This assignment concerned the valuation of 252 single-family lots and 252 proposed multifamily units comprising the Parella residential community in the Southport area of West Sacramento. This report was prepared for the City of West Sacramento.



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Ziegenmeyer

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Sample of Appraisal Experience (continued)

Diablo Grande Community Facilities District No. 1
(Series 2002)
Stanislaus County, California

The appraisal involved the valuation of a partially improved resort and master planned community offering 1,410 residential lots, multifamily land, commercial land, a hotel site, vineyards and two 18-hole championship golf courses. The appraisal was used for bond underwriting purposes and was prepared for Western Hills Water District.

Plumas Lake Community Facilities District No. 2002-1
Yuba County, California

This appraisal included the valuation of a portion of the proposed, and partially improved, Plumas Lake Specific Plan area, and comprised 3,314 detached single-family residential lots. The appraisal was used for bond underwriting purposes and was prepared for the Olivehurst Public Utility District.

Brentwood Assessment District No. 2003-1
Brentwood, Contra Costa County, California

This assignment involved the valuation of an assessment district containing commercial and residential components comprising 5.66 acres of commercial land, 882 single-family residential lots and 15.8 acres of multifamily land. The appraisal was used for bond underwriting purposes and was prepared for the City of Brentwood.

Patterson Gardens & Keystone Pacific Business Park
Patterson, Stanislaus County, California

This appraisal involved the valuation of a 985-lot single-family residential master planned community that included residential, commercial and public use components, and a non-contingent 224-acre industrial park. This report was prepared for Bank of America.

Syrah Condominiums
Sacramento, Sacramento County, California

Syrah is a proposed 245-unit residential condominium development with dual phase valuations. This report was prepared for KeyBank.



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Rocklin, California 95765

P: (916) 435-3883 F: (916) 435-4774

Nelson M. Wong, Appraiser

Introduction

Mr. Wong is a Certified General real estate appraiser with Seevers Jordan Ziegenmeyer, a real estate appraisal firm that engages in a wide variety of real estate valuation and consultation assignments. Since beginning his career in real estate in mid 2001, Mr. Wong has been writing narrative appraisal reports for a variety of properties. Today, he is involved in appraisal assignments covering office, retail, industrial, apartments, subdivisions, land and special-purpose properties. He has also been involved in appraisals for bond-underwriting purposes relating to the formation of new community facilities districts and assessment districts. His geographical experience has been predominantly within the Sacramento Metropolitan Area, but includes areas extending to Chico to the north, Modesto to the south, Reno to the east and the San Francisco Bay Area to the west. Mr. Wong has developed the experience and background necessary to deal with complex assignments covering an array of property types.

Professional Affiliations

Certified General Real Estate Appraiser - State of California (No. AG034862)
Certified General Real Estate Appraiser - State of Nevada (No. A.0006030-CG)

Education

Academic

Bachelor of Arts in Economics, University of California, Davis

Appraisal and Real Estate Courses

Uniform Standards of Professional Appraisal Practice

Appraisal Principles

Appraisal Procedures

Basic Income Capitalization

California Real Estate Economics



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Sample of Appraisal Experience

Vintage Ranch Subdivision
American Canyon, California

This appraisal involved the valuation of 674 single-family residential lots at various stages of development. The property is situated in the city of American Canyon, which is located in South Napa County. In the analysis, we estimated as-is market value of the property, the prospective market value of the property as finished lots, and the hypothetical market values of nine proposed floor plans. This report was prepared for Washington Mutual Bank.

I Street Office Building
Sacramento, California

This project involved the valuation of a three-story professional office building in Downtown Sacramento. The property is leased to multiple tenants and has frontage and visibility along I Street. This report was prepared for the Special District Risk Management Authority.

Highland Reserve, Parcel 18C
Roseville, California

This project involved the valuation of a proposed 248-lot cluster housing subdivision in the city of Roseville. The property contained 26.17 acres of land area, with an overall density of 9.48 units/acre, as proposed. The report was prepared for Bank of America.

Lot 5 of the Innovative Technology Business
Park
Modesto, California

This project involved the market valuation of a proposed office building in Modesto. In this appraisal, we estimated the prospective market value of the property at completion of construction and at stabilized occupancy, as well as the as-is market value of the property. This report was prepared for Central California Bank.

Florin Perkins Road Industrial
Sacramento, California

This report involved the market valuation of a multi-tenant light industrial building in the Power Inn submarket of Sacramento. This report was prepared for Sonoma National Bank.

Sunridge-Anatolia CFD No. 2003-1
Rancho Cordova, California

This report involved the hypothetical market valuation and aggregate, or cumulative, valuation of the properties within Sunridge-Anatolia Community Facilities District (CFD) No. 2003-1, assuming the completion of the infrastructure to be financed by the District. There are several components, including a detached, single-family residential component (2,795 single-family residential lots), a multifamily residential component (12.01 acres), a commercial component comprising five separate sites (46.10 acres), a medium density residential land component (25.45 acres) and a recreation center site (3.83 acres). This report was prepared for the City of Rancho Cordova.

Trusted & Respected Since 1978

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT

The following summary of the Fiscal Agent Agreement is a summary only and does not purport to be a complete statement of the contents thereof. Reference is made to the Fiscal Agent Agreement for the complete terms thereof.

Definitions

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

"Administrative Expenses" means any or all of the following: the fees and expenses of the Fiscal Agent (including any fees or expenses of its counsel), the expenses of the City in carrying out its duties under the Fiscal Agent Agreement (including, but not limited to, the levying and collection of the Special Taxes, and the foreclosure of the liens of delinquent Special Taxes) including the fees and expenses of its counsel, an allocable share of the salaries of City staff directly related thereto and a proportionate amount of City general administrative overhead related thereto, any amounts paid by the City from its general funds pursuant to the Fiscal Agent Agreement, and all other costs and expenses of the City or the Fiscal Agent incurred in connection with the issuance and administration of the Bonds and/or the discharge of their respective duties under the Fiscal Agent Agreement (including, but not limited to, the calculation of the levy of the Special Taxes, foreclosures with respect to delinquent taxes, and the calculation of amounts subject to rebate to the United States) and, in the case of the City, in any way related to the administration of the District. Administrative Expenses shall include any such expenses incurred in prior years but not yet paid, and any advances of funds by the City under the Fiscal Agent Agreement.

"Agreement" means the Fiscal Agent Agreement dated as of May 1, 2007, by and between the City and the Trustee, as it may be amended or supplemented from time to time by any Supplemental Agreement.

"Annual Debt Service" means, for each Bond Year, the sum of (i) the interest due on the Outstanding Bonds in such Bond Year, assuming that the Outstanding Bonds are retired as scheduled, and (ii) the principal amount of the Outstanding Bonds including any mandatory sinking fund payments due in such Bond Year.

"Authorized Officer" means the City Administrative Services Director, Finance Director, City Manager or any other officer or employee authorized by the City Council of the City or by an Authorized Officer to undertake the action referenced in the Fiscal Agent Agreement as required to be undertaken by an Authorized Officer.

"Bond Counsel" means any attorney or firm of attorneys acceptable to the City and nationally recognized for expertise in rendering opinions as to the legality and tax-exempt status of securities issued by public entities.

"Bond Year" means each twelve-month period beginning on September 2 in any year and extending to the next succeeding September 1, both dates inclusive; except that the first Bond Year shall begin on the Closing Date and end on September 1, 2007.

"Bonds" means the City of Roseville Diamond Creek Community Facilities District No. 1 Special Tax Bonds Series 2007 at any time Outstanding under the Fiscal Agent Agreement or any amendment thereto.

"Business Day" means any day other than (i) a Saturday or a Sunday or (ii) a day on which banking institutions in the state in which the Principal Office of the Fiscal Agent is located are authorized or obligated by law or executive order to be closed.

"CDIAC" means the California Debt and Investment Advisory Commission of the office of the State Treasurer of the State of California or any successor agency or bureau thereto.

"City" means the City of Roseville, California, and any successor thereto.

"Closing Date" means the date upon which there is a physical delivery of the Bonds in exchange for the amount representing the purchase price of the Bonds by the Original Purchaser.

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

"Continuing Disclosure Agreement" means the Continuing Disclosure Agreement, dated as of May 1, 2007, by and among the City 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, appraisal costs, charges for execution, transportation and safekeeping of the Bonds and other costs, charges and fees in connection with the foregoing.

"DTC" means the Depository Trust Company, New York, New York, and its successors and assigns.

"Debt Service" means the scheduled amount of interest and amortization of principal payable on the Bonds during the period of computation, excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period.

"Debt Service Account" means the account of the Special Tax Fund by that name established under the Fiscal Agent Agreement.

"Fair Market Value" means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (iii) the investment is a United States Treasury Security—State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) the investment is the Local Agency Investment Fund of the State of California, but only if at all times during which the investment is held its yield is reasonably expected to be equal to or greater than the yield on a reasonably comparable direct obligation of the United States.

"Federal Securities" means any of the following which are non-callable and which at the time of investment are legal investments under the laws of the State of California for funds held by the Fiscal Agent (the Fiscal Agent entitled to rely upon investment direction from the City as a certification that such investment constitutes a legal investment).

(i) Direct general obligations of the United States of America (including obligations issued or held in book-entry form on the books of the United States Department of the Treasury) and obligations, the payment of principal of and interest on which are directly or indirectly guaranteed by the United States of America, including, without limitation, such of the foregoing which are commonly referred to as "stripped" obligations and coupons; or

(ii) Any of the following obligations of the following agencies of the United States of America: (i) direct obligations of the Export-Import Bank, (ii) certificates of beneficial ownership issued by the Farmers Home Administration, (iii) participation certificates issued by the General Services Administration, (iv) mortgage-backed bonds or passthrough obligations issued and guaranteed by the Government National Mortgage Association, (v) project notes issued by the United States Department of Housing and Urban Development, and (vi) public housing notes and bonds guaranteed by the United States of America.

"Fiscal Agent" means the Fiscal Agent appointed by the City and acting as an independent fiscal agent with the duties and powers herein provided, its successors and assigns, and any other corporation or association which may at any time be substituted in its place, as provided in the Fiscal Agent Agreement.

"Fiscal Year" means the twelve-month period extending from September 1 in a calendar year to June 30 of the succeeding year, both dates inclusive.

"Information Services" means Financial Information, Inc.'s "Daily Called Bond Service," 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Mergent/FIS, Inc., 5250 77 Center Drive, Suite 150, Charlotte, North Carolina 28217, Attn: Called Bond Dept.; Kenny S&P, 55 Water Street, 45th Floor, New York, New York 10041, Attention: Notification Department; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such services providing information with respect to called bonds as a City representative may designate to the Fiscal Agent.

"Interest Payment Dates" means March 1 and September 1 of each year, commencing September 1, 2007.

"Maximum Annual Debt Service" means the largest Annual Debt Service for any Bond Year after the calculation is made through the final maturity date of any Outstanding Bonds.

"Officer's Certificate" means a written certificate of the City signed by an Authorized Officer of the City.

"Ordinance" means any ordinance of the City levying the Special Taxes.

"Original Purchaser" means the first purchaser of the Bonds from the City.

"Outstanding," when used as of any particular time with reference to Bonds, means (subject to the provisions of the Fiscal Agent Agreement) all Bonds except (i) Bonds theretofore canceled by the Fiscal Agent or surrendered to the Fiscal Agent for cancellation; (ii) Bonds paid or deemed to have been paid within the meaning of the Fiscal Agent Agreement; and (iii) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the City pursuant to the Agreement or any Supplemental Agreement.

"Owner" or "Bondowner" means any person who shall be the registered owner of any Outstanding Bond.

"Participating Underwriter" shall have the meaning ascribed thereto in the Continuing Disclosure Agreement.

"Permitted Investments" means any of the following, to the extent that they are lawful investments for City funds at the time of investment, and are acquired at Fair Market Value (the Fiscal Agent entitled to rely upon investment direction from the City as a certification that such investment constitutes a legal investment):

(i) Federal Securities;

(ii) any of following obligations of federal agencies not guaranteed by the United States of America: (a) debentures issued by the Federal Housing Administration; (b) participation certificates or senior debt obligations of the Federal Home Loan Mortgage Corporation or Farm Credit Banks (consisting of Federal Land Banks, Federal Intermediate Credit Banks or Banks for Cooperatives); (c) bonds or debentures of the Federal Home Loan Bank Board established under the Federal Home Loan Bank Act, bonds of any federal home loan bank established under said act and stocks, bonds, debentures, participations and other obligations of or issued by the Federal National Mortgage Association, the Student Loan Marketing Association, the Government National Mortgage Association and the Federal Home Loan Mortgage Corporation; and bonds, notes or other obligations issued or assumed by the International Bank for Reconstruction and Development;

(iii) interest-bearing demand or time deposits (including certificates of deposit) in federal or State of California chartered banks (including the Fiscal Agent and its affiliates), provided that (a) in the case of a savings and loan association, such demand or time deposits shall be fully insured by the Federal Deposit Insurance Corporation, or the unsecured obligations of such savings and loan association shall be rated in one of the top two rating categories by a nationally recognized rating service, and (b) in the case of a bank, such demand or time deposits shall be fully insured by the Federal Deposit Insurance Corporation, or the unsecured obligations of such bank (or the unsecured obligations of the parent bank holding company of which such bank is the lead bank) shall be rated in one of the top two rating categories by a nationally recognized rating service;

(iv) repurchase agreements with a registered broker/dealer subject to the Securities Investors Protection Corporation Liquidation in the event of insolvency, or any commercial bank provided that: (a) the unsecured obligations of such bank shall be rated in one of the top two rating categories by a nationally recognized rating service, or such bank shall be the lead bank of a banking holding company whose unsecured obligations are rated in one of the top two rating categories by a nationally recognized rating service; (b) the most recent reported combined capital, surplus and undivided profits of such bank shall be not less than \$100 million; (c) the repurchase obligation under any such repurchase obligation shall be required to be performed in not more than thirty (30) days; (d) the entity holding such securities as described in clause (c) shall have a pledged first security interest therein for the benefit of the Fiscal Agent under the California Commercial Code or pursuant to the book-entry procedures described by 31 C.F.R. 306.1 *et seq.* or 31 C.F.R. 350.0 *et seq.* and are rated in one of the top two rating categories by a nationally recognized rating service;

(v) bankers acceptances endorsed and guaranteed by banks described in clause (iv) above;

(vi) obligations, the interest on which is exempt from federal income taxation under Section 103 of the Code and which are rated in one of the top two rating categories by a nationally recognized rating service;

(vii) money market funds which invest solely in Federal Securities or in obligations described in the preceding clause (ii) of this definition, or money market funds which are rated in the highest rating category by Standard & Poor's Ratings Services or Moody's Investor Service, including funds which are managed or maintained by the Fiscal Agent and its affiliates;

(viii) units of a taxable government money market portfolio comprised solely of obligations listed in (i) and (iv) above including those of Fiscal Agent and its affiliates;

(ix) any investment which is a legal investment for proceeds of the Bonds at the time of the execution of such agreement, and which investment is made pursuant to an agreement between the City or the Fiscal Agent or any successor Fiscal Agent and a financial institution or governmental body whose long term debt obligations are rated in one of the top two rating categories by a nationally recognized rating service;

(x) commercial paper of "prime" quality of the highest ranking or of the highest letter and numerical rating as provided for by Moody's Investors Service, or Standard and Poor's Corporation, of issuing corporations that are organized and operating within the United States and having total assets in excess of five hundred million dollars (\$500,000,000) and having an "AA" or higher rating for the issuer's debentures, other than commercial paper, as provided for by Moody's Investors Service or Standard and Poor's Corporation, and provided that purchases of eligible commercial paper may not exceed 180 days maturity nor represent more than 10 percent of the outstanding paper of an issuing corporation;

(xi) any general obligation of a bank or insurance company whose long term debt obligations are rated in one of the two highest rating categories of a national rating service;

(xii) shares in a common law trust established pursuant to Title 1, Division 7, Charter 5 of the Government Code of the State which invests exclusively in investments permitted by Section 53635 of Title 5, Division 2, Chapter 4 of the Government Code of the State, as it may be amended;

(xiii) Shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the California Government Code which invests exclusively in investments permitted by Section 53635 of Title 5, Division 2, Chapter 4 of the California Government Code, as it may be amended, including but not limited to the California Asset Management Program ("CAMP"); or

(xiii) the Local Agency Investment Fund established pursuant to Section 16429.1 of the Government Code of the State of California, *provided, however*, that the Fiscal Agent shall be permitted to make investments and withdrawals in its own name and the Fiscal Agent may restrict investments in the such fund if necessary to keep moneys available for the purposes of the Fiscal Agent Agreement.

(xiv) any other lawful investment for City funds.

"Principal Office" means the corporate trust office of the Fiscal Agent in San Francisco, California, or such other or additional offices as may be designated by the Fiscal Agent.

"Project" means the acquisitions and improvements described in the Resolution of Intention.

"Record Date" means the fifteenth (15th) day of the month next preceding the month of the applicable Interest Payment Date.

"Regulations" means temporary and permanent regulations promulgated under the Code.

"Reserve Fund Credit Instrument" means a surety bond issued by an insurance company rated in the highest rating category by Standard & Poor's and Moody's.

"Reserve Requirement" means an amount equal to the lesser of (a) Maximum Annual Debt Service on the Outstanding Bonds, (b) 125% of average annual Debt Service, or (c) ten percent (10%) of the total proceeds of the Bonds deposited under the Fiscal Agent Agreement.

"Resolution" means Resolution No. 07-_____, adopted by the City Council of the City on April 4, 2007, which resolution, among other matters, authorized the issuance of the Bonds.

"Resolution of Formation" means Resolution No. 07-_____, adopted by the City Council of the City on April 4, 2007, establishing the District for the purpose of providing for the financing of certain public facilities in and for such District.

"Securities Depositories" means The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Fax-(516) 227-4039 or 4190; Midwest Securities Trust Company, Capital Structures-Call Notification, 440 South LaSalle Street, Chicago, Illinois 60605, Fax-(312) 663-2343; Philadelphia Depository Trust Company, Reorganization Division, 1900 Market Street, Philadelphia, Pennsylvania 19103, Attention Bond Department, Dex-(215) 496-5058; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the City may designate in an Officer's Certificate delivered to the Fiscal Agent.

"Special Tax Revenues" means the proceeds of the Special Taxes received by the City, including all scheduled payments and delinquent payments thereof, interest and penalties thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes.

"Special Taxes" means the special taxes levied within the District pursuant to the Act, the Ordinance and the Fiscal Agent Agreement.

"Supplemental Agreement" means an agreement the execution of which is authorized by a resolution which has been duly adopted by the City under the Act and which agreement is amendatory of or supplemental to the Fiscal Agent Agreement, but only if and to the extent that such agreement is specifically authorized under the Fiscal Agent Agreement.

"Treasurer" means the duly acting Treasurer of the City or if the City has no Treasurer, the Administrative Services Director of the City.

Special Tax Revenues; Flow of Funds

Pledge of Special Tax Revenues. All of the Special Tax Revenues and all moneys deposited in the Bond Fund, the Reserve Fund and, until disbursed as provided in the Fiscal Agent Agreement, in the Special Tax Fund are pledged to secure the repayment of the Bonds. Such pledge shall constitute a first lien on the Special Tax Revenues and said amounts. The Special Tax Revenues and all moneys deposited in such funds (except as otherwise provided in the Fiscal Agent Agreement) are dedicated in their entirety to the payment of the principal of, and interest and any premium on, the Bonds as provided in the Fiscal Agent Agreement and in the Act until all of the Bonds have been paid and retired or until moneys or Defeasance Obligations have been set aside irrevocably for that purpose in accordance with the Fiscal Agent Agreement. Amounts in the Costs of Issuance Fund are not pledged to the repayment of the Bonds.

Special Tax Fund.

Establishment of Special Tax Fund. There is established under the Fiscal Agent Agreement as a separate fund to be held by the Treasurer, the Diamond Creek Community Facilities District No. 1 Special Tax Bonds, Series 2007, Special Tax Fund, to the credit of which the City shall deposit, immediately upon receipt, all Special Tax Revenues received by the City and any amounts required by the Fiscal Agent

Agreement to be deposited therein. Within the Special Tax Fund, the Treasurer will establish and maintain two accounts: (i) the Debt Service Account, to the credit of which the City will deposit, immediately upon receipt, all Special Tax Revenues, and (ii) the Surplus Account, to the credit of which the City will deposit, immediately upon receipt, surplus Special Tax Revenues, as described below. Moneys in the Special Tax Fund will be disbursed as provided below and, pending any disbursement, will be subject to a lien in favor of the Owners of the Bonds.

All Special Tax Revenues shall be deposited in the Debt Service Account upon receipt. No later than ten (10) Business Days prior to each Interest Payment Date, the City will withdraw from the Debt Service Account of the Special Tax Fund and transfer (i) to the Fiscal Agent for deposit in the Reserve Fund an amount such that the amount then on deposit therein is equal to the Reserve Requirement, and (ii) to the Fiscal Agent for deposit in the Bond Fund an amount, taking into account any amounts then on deposit in the Bond Fund such that the amount in the Bond Fund equals the principal, premium, if any, and interest due on the Bonds on the next Interest Payment Date. At such time as deposits to the Debt Service Account equal the principal, premium, if any, and interest becoming due on the Bonds for the current Bond Year, including any mandatory sinking fund payments required to be made, and the amount needed to restore the Reserve Fund balance to the Reserve Requirement, the amount in the Debt Service Account in excess of such amount may, at the discretion of the City, be transferred to the Surplus Account, which will occur on or after September 15th of each year.

Bond Fund.

Establishment of the Bond Fund. There is established under the Fiscal Agent Agreement as a separate fund to be held by the Fiscal Agent the Diamond Creek Community Facilities District No. 1 Special Tax Bonds Bond Fund, to the credit of which deposits shall be made as required by the Fiscal Agent Agreement or the Act. Moneys in the Bond Fund shall be held in trust by the Fiscal Agent for the benefit of the Owners of the Bonds, shall be disbursed for the payment of the principal of, and interest and any premium on, the Bonds as provided below, and, pending such disbursement, shall be subject to a lien in favor of the Owners of the Bonds.

Disbursements. On each Interest Payment Date, the Fiscal Agent shall withdraw from the Bond Fund and pay to the Owners of the Bonds the principal of, and interest and any premium, then due and payable on the Bonds, including any amounts due on the Bonds by reason of the sinking payments set forth in the Fiscal Agent Agreement or any redemption of the Bonds pursuant to the Fiscal Agent Agreement.

In the event that amounts in the Bond Fund are insufficient to pay regularly scheduled payments of principal of and interest on the Bonds, the Fiscal Agent shall withdraw from the Reserve Fund to the extent of any funds therein, the amount of such insufficiency, and the Fiscal Agent shall provide written notice to the Treasurer and Administrative Services Director of the amounts so withdrawn from the Reserve Fund. Amounts so withdrawn from the Reserve Fund shall be deposited in the Bond Fund.

If, after the foregoing transfer, there are insufficient funds in the Bond Fund to make the payments provided for to pay regularly scheduled payments of principal of and interest on the Bonds, the Fiscal Agent shall apply the available funds first to the payment of interest on the Bonds, then to the payment of principal due on the Bonds other than by reason of sinking payments, and then to payment of principal due on the Bonds by reason of sinking payments. Any sinking payment not made as scheduled shall be added to the sinking payment to be made on the next sinking payment date.

Deficiency. If at any time it appears to the Fiscal Agent that there is a danger of deficiency in the Bond Fund and that the Fiscal Agent may be unable to pay regularly scheduled debt service on the Bonds in a timely manner, the Fiscal Agent shall report to the Treasurer and Administrative Services Director such fact. The City covenants to increase the levy of the Special Taxes in the next Fiscal Year (subject to the maximum amount authorized by the Resolution of Formation) in accordance with the procedures set forth in the Act for the purpose of curing Bond Fund deficiencies.

Reserve Fund.

There is established in the Fiscal Agent Agreement as a separate fund to be held by the Fiscal Agent the Diamond Creek Community Facilities District No. 1 Special Tax Bonds Reserve Fund. In lieu of funding the Reserve Fund with cash or in replacement thereof, the Reserve Fund may be funded with a Reserve Fund Credit Instrument. Moneys in the Reserve Fund shall be held in trust by the Fiscal Agent for the benefit of the Owners of the Bonds as a reserve for the payment of principal of, and interest on, the Bonds and shall be subject to a lien in favor of the Owners of the Bonds.

Use of Fund. Except as otherwise provided in the Fiscal Agent Agreement, all amounts deposited in the Reserve Fund shall be used and withdrawn by the Fiscal Agent solely for the purpose of making transfers to the Bond Fund in the event of any deficiency at any time in the Bond Fund of the amount then required for payment of the principal of, and interest on, the Bonds. Whenever transfer is made from the Reserve Fund to the Bond Fund due to a deficiency in the Bond Fund, the Fiscal Agent shall provide written notice thereof to the Treasurer and the Administrative Services Director.

Transfer of Excess of Reserve Requirement. Whenever, on the Business Day prior to any Interest Payment Date, the amount in the Reserve Fund exceeds the then applicable Reserve Requirement, the Fiscal Agent shall transfer an amount equal to the excess from the Reserve Fund to the Improvement Fund, if the Improvements have not been completed as of the date of such transfer, or if the Improvements have been completed, to the Bond Fund to be used for the payment of the principal of and interest on the Bonds.

Transfer for Rebate Purposes. Investment earnings on amounts in the Reserve Fund may be withdrawn from the Reserve Fund for purposes of making payment to the federal government to comply with rebate requirements.

Transfer When Balance Exceeds Outstanding Bonds. Whenever the balance in the Reserve Fund exceeds the amount required to redeem or pay the Outstanding Bonds, including interest accrued to the date of payment or redemption and after making premium, if any, due upon redemption, and make any transfer required under the Fiscal Agent Agreement and upon receipt of an Officer's Certificate directing it to do so, the Fiscal Agent shall transfer the amount in the Reserve Fund to the Bond Fund to be applied, on the next succeeding Interest Payment Date to the payment and redemption of all of the Outstanding Bonds. In the event that the amount so transferred from the Reserve Fund to the Bond Fund exceeds the amount required to pay and redeem the Outstanding Bonds, the balance in the Reserve Fund shall be transferred to the City, after payment of any amounts due the Fiscal Agent, to be used for any lawful purpose of the City.

Improvement Fund.

Establishment of Improvement Fund. There is established in the Fiscal Agent Agreement as a separate fund to be held by the Fiscal Agent, the Diamond Creek Community Facilities District No. 1 Special Tax Bonds Improvement Fund to the credit of which a deposit shall be made as required by the Fiscal Agent Agreement. Moneys in the Improvement Fund shall be disbursed as provided in the Fiscal Agent Agreement for the payment or reimbursement of costs of the Project.

Procedure for Disbursement. Disbursements from the Improvement Fund shall be made as determined by the Administrative Services Director for the payment or reimbursement of the costs of the Project, including for costs of acquisition of portions of the Project in accordance with the Acquisition Agreement.

Investment. Moneys in the Improvement Fund and the accounts established thereunder shall be invested and deposited in accordance with the Fiscal Agent Agreement. Interest earnings and profits from the investment of amounts in the Improvement Fund shall be retained in the Improvement Fund to be used for the purposes of the Improvement Fund.

Closing of Fund. Upon the filing of an Officer's Certificate stating that the portion of the Project to be financed from the Improvement Fund and the accounts established thereunder has been completed and that all costs of such portion of the Improvements have been paid or are not required to be paid from the Improvement Fund, the Fiscal Agent shall transfer the amount, if any, remaining in the Improvement Fund to the Fiscal Agent for deposit in the Bond Fund for application to the payment of principal of and interest on the Bonds in accordance with the Fiscal Agent Agreement and the Improvement Fund shall be closed.

Costs of Issuance Fund.

Establishment of Costs of Issuance Fund. There is established under the Fiscal Agent Agreement as a separate fund to be held by the Fiscal Agent, the Diamond Creek Community Facilities District No. 1 Special Tax Bonds Costs of Issuance Fund. Moneys in the Costs of Issuance Fund shall be held in trust by the Fiscal Agent and shall be disbursed for the payment or reimbursement of Costs of Issuance.

Disbursement. Amounts in the Costs of Issuance Fund shall be disbursed from time to time to pay Costs of Issuance, as set forth in a requisition containing respective amounts to be paid to the designated payees, signed by the Treasurer or Administrative Services Director or a designee thereof and delivered to the Fiscal Agent. The Fiscal Agent shall maintain the Costs of Issuance Fund for a period of six months, from the Closing Date and then shall transfer any moneys remaining therein, including any investment earnings thereon, to the Treasurer for deposit by the Treasurer in the Special Tax Fund. Thereafter, every invoice received by the Fiscal Agent shall be submitted to the Treasurer or Administrative Services Director for payment from amounts on deposit in the Special Tax Fund.

Certain Covenants of the City

Punctual Payment. The City will punctually pay or cause to be paid the principal of, and interest and any premium on, the Bonds when and as due in strict conformity with the terms of the Fiscal Agent Agreement, and it will faithfully observe and perform all of the conditions covenants and requirements of the Fiscal Agent Agreement and all Supplemental Agreements and of the Bonds.

Limited Obligation. The Bonds are limited obligations of the City on behalf of the District and are payable solely from and secured solely by the Special Tax Revenues and the amounts in the Bond Fund, the Reserve Fund and the Special Tax Fund created under the Fiscal Agent Agreement.

Extension of Time for Payment. In order to prevent any accumulation of claims for interest after maturity, the City shall not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any of the Bonds and shall not, directly or indirectly, be a party to the approval of any such arrangement by purchasing or funding said claims for interest or in any other manner. In case any such claim for interest shall be extended or funded, whether or not with the consent of the City, such claim for interest so extended or funded shall not be entitled, in case of default under the Fiscal Agent Agreement, to the benefits of the Fiscal Agent Agreement, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which shall not have been so extended or funded.

Against Encumbrances. The City will not encumber, pledge or place any charge or lien upon any of the Special Tax Revenues or other amounts pledged to the Bonds superior to or on a parity with the pledge and lien herein created for the benefit of the Bonds, except as permitted by the Fiscal Agent Agreement.

Books and Accounts. The City will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the City, in which complete and correct entries shall be made of all transactions relating to the expenditure of amounts disbursed from the Special Tax Fund and to the Special Tax Revenues. Such books of record and accounts shall at all times during business hours be subject to the inspection of the Fiscal Agent and the Owners of not less than ten

percent (10%) of the principal amount of the Bonds then Outstanding, or their representatives duly authorized in writing.

Protection of Security and Rights of Owners. The City will preserve and protect the security of the Bonds and the rights of the Owners, and will warrant and defend their rights against all claims and demands of all persons. From and after the delivery of any of the Bonds by the City, the Bonds shall be incontestable by the City.

Compliance with Law: Completion of Project. The City will comply with all applicable provisions of the Act and the law in completing the acquisition and construction of the Project; provided that the City shall have no obligation to advance any funds to complete the Project in excess of the amounts available therefor in the Improvement Fund.

Collection of Special Tax Revenues. The City shall comply with all requirements of the Act so as to assure the timely collection of Special Tax Revenues, including without limitation, the enforcement of delinquent Special Taxes. On or within five (5) Business Days of each June 1, the Fiscal Agent shall provide the Treasurer and Administrative Services Director with a notice stating the amount then on deposit in the Bond Fund and the Reserve Fund. The receipt of such notice by the Treasurer and Administrative Services Director shall in no way affect the obligations of the Treasurer or Administrative Services Director under the following two paragraphs. Upon receipt of such notice, the Treasurer shall communicate with the Administrative Services Director to ascertain the relevant parcels on which the Special Taxes are to be levied, taking into account any parcel splits during the preceding and then current year.

The City shall effect the levy of the Special Taxes each Fiscal Year in accordance with the Ordinance such that the computation of the levy is complete before the final date on which County Auditor will accept the transmission of the Special Tax amounts for the parcels within the District for inclusion on the next secured real property tax roll. Upon the completion of the computation of the amounts of the levy, the City shall prepare or cause to be prepared, and shall transmit to the Administrative Services Director, such data as the County Auditor requires to include the levy of the Special Taxes on the next secured real property tax roll.

The City shall fix and levy the amount of Special Taxes within the District required for the payment of principal of and interest on any outstanding Bonds of the District becoming due and payable during the ensuing year, including any necessary replenishment or expenditure of the Reserve Fund for the Bonds and an amount estimated to be sufficient to pay the Administrative Expenses during such year, all in accordance with the rate and method of apportionment of the Special Taxes for the District and the Ordinance. In any event, the Special Taxes so levied shall not exceed the authorized amounts as provided in the proceedings pursuant to the Resolution of Formation.

No Arbitrage. The City shall not take, or permit or suffer to be taken by the Fiscal Agent or otherwise, any action with respect to the gross proceeds of the Bonds which if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date would have caused the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code and Regulations.

Maintenance of Tax-Exemption. The City shall take all actions necessary to assure the exclusion of interest on the Bonds from the gross income of the Owners of the Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the Bonds.

Investments; Disposition of Investment Proceeds

Deposit and Investment of Moneys in Funds. Moneys in any fund or account created or established by the Fiscal Agent Agreement and held by the Fiscal Agent shall be invested by the Fiscal Agent in Permitted Investments, as directed pursuant to an Officer's Certificate filed with the Fiscal Agent at least two Business Days in advance of the making of such investments.

The Fiscal Agent or the Treasurer, as applicable, shall sell or present for redemption, any investment security whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such investment security is credited and neither the Fiscal Agent nor the Treasurer shall be liable or responsible for any loss resulting from the acquisition or disposition of such investment security in accordance with the Fiscal Agent Agreement.

Rebate of Excess Investment Earnings to the United States.

The City covenants to calculate and rebate to the federal government, in accordance with the Regulations, excess investment earnings to the extent required by Section 148(f) of the Code. The City shall notify the Fiscal Agent of any amounts determined to be due to the federal government, and the Fiscal Agent shall, upon receipt of an Officer's Certificate of the City, withdraw such amounts from the Reserve Fund pursuant to the Fiscal Agent Agreement, and pay such amounts to the federal government as required by the Code and the Regulations. In the event of any shortfall in amounts available to make such payments, the Fiscal Agent shall notify the Administrative Services Director in writing of the amount of the shortfall and the Administrative Services Director shall make such payment from any amounts available in the Special Tax Fund.

The Fiscal Agent

The City may remove the Fiscal Agent initially appointed, and any successor thereto, and may appoint a successor or successors thereto, but any such successor shall be a bank or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least Fifty Million Dollars (\$50,000,000) including, for such purpose, the combined capital and surplus of any parent holding company, and subject to supervision or examination by federal or state authority.

The Fiscal Agent may at any time resign by giving written notice to the City and by giving to the Owners notice by mail of such resignation. Upon receiving notice of such resignation, the City shall promptly appoint a successor Fiscal Agent by an instrument in writing. Any resignation or removal of the Fiscal Agent shall become effective upon acceptance of appointment by the successor Fiscal Agent.

If no appointment of a successor Fiscal Agent has been made within thirty (30) days after the Fiscal Agent has given to the City written notice or after a vacancy in the office of the Fiscal Agent shall have occurred by reason of its inability to act, the Fiscal Agent or any Bondowner may apply to any court of competent jurisdiction to appoint a successor Fiscal Agent. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Fiscal Agent.

Modification or Amendment of Fiscal Agent Agreement

The Fiscal Agent Agreement and the rights and obligations of the City and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Agreement pursuant to the affirmative vote at a meeting of Owners, or with the written consent without a meeting, of the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Fiscal Agent Agreement. No such modification or amendment shall (i) extend the maturity of any Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the City to pay the principal of, and the interest and any premium on, any Bond, without the express consent of the Owner of such Bond, or (ii) permit the creation by the City of any pledge or lien upon the Special Taxes superior to or on a parity with the pledge and lien created for the benefit of the

Bonds (except as otherwise permitted by the Act, the laws of the State of California or the Fiscal Agent Agreement), or reduce the percentage of Bonds required for the amendment of the Fiscal Agent Agreement. No such amendment may modify any of the rights or obligations of the Fiscal Agent without its written consent.

The Fiscal Agent Agreement and the rights and obligations of the City and of the Owners may also be modified or amended at any time by a Supplemental Agreement, without the consent of any Owners, only to the extent permitted by law and only for any one or more of the following purposes:

(A) to add to the covenants and agreements of the City in the Fiscal Agent Agreement contained, other covenants and agreements thereafter to be observed, or to limit or surrender any right or power in the Fiscal Agent Agreement reserved to or conferred upon the City;

(B) to make modifications not adversely affecting any outstanding series of Bonds of the City in any material respect;

(C) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Fiscal Agent Agreement, or in regard to questions arising under the Fiscal Agent Agreement, as the City and the Fiscal Agent may deem necessary or desirable, and which shall not adversely affect the rights of the Owners of the Bonds;

(D) to make such additions, deletions or modifications as may be necessary or desirable to assure compliance with Section 148 of the Code relating to required rebate of excess investment earnings to the United States or otherwise as may be necessary to assure exclusion from gross income for federal income tax purposes of interest on the Bonds or to conform with the Regulations.

Procedure for Amendment with Written Consent of Owners. The City and the Fiscal Agent may at any time enter into a Supplemental Agreement amending the provisions of the Bonds or of the Fiscal Agent Agreement or any Supplemental Agreement, to the extent that such amendment is permitted by the Fiscal Agent Agreement. A copy of such Supplemental Agreement, together with a request to Owners for their consent thereto, if such consent is required, shall be mailed by first class mail, by the Fiscal Agent to each Owner of Bonds Outstanding, but failure to mail copies of such Supplemental Agreement and request shall not affect the validity of the Supplemental Agreement when assented to as in the Fiscal Agent Agreement.

If consent of the Owners is required, such Supplemental Agreement shall not become effective unless there shall be filed with the Fiscal Agent the written consents of the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding (exclusive of Bonds disqualified as provided in the Fiscal Agent Agreement) and a notice shall have been mailed as provided in the Fiscal Agent Agreement.

Miscellaneous

Discharge of Agreement. If the City has paid and discharged the entire indebtedness on all or any portion of the Bonds Outstanding in any one or more of the following ways:

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

(B) by depositing with the Fiscal Agent, in trust, at or before maturity, money which, together with (in the event that all of the Bonds are to be defeased) the amounts then on deposit in the funds and accounts provided for in the Fiscal Agent Agreement, is fully sufficient to pay such Bonds Outstanding, including all principal, interest and redemption premiums, or;

(C) by irrevocably depositing with the Fiscal Agent, in trust, cash and Federal Securities in such amount as the City shall determine as confirmed by an independent certified public accountant will, together with the interest to accrue thereon and (in the event that all of the Bonds are to be defeased) moneys then on deposit in the fund and accounts provided for in the Fiscal Agent Agreement, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates;

and if such Bonds are to be redeemed prior to the maturity thereof notice of such redemption has been given as in the Fiscal Agent Agreement provided or provision satisfactory to the Fiscal Agent has been made for the giving of such notice, then, at the election of the City, and notwithstanding that any Bonds shall not have been surrendered for payment, the pledge of the Special Taxes and other funds provided for in the Fiscal Agent Agreement and all other obligations of the City under the Fiscal Agent Agreement with respect to such Bonds Outstanding shall cease and terminate, except only the obligations of the City with respect to maintenance of the tax exemption of the Bonds and to pay or cause to be paid to the Owners of the Bonds not so surrendered and paid all sums due thereon and all amounts owing to the Fiscal Agent; and thereafter Special Taxes shall not be payable to the Fiscal Agent.

Any funds thereafter held by the Fiscal Agent upon payments of all fees and expenses of the Fiscal Agent, which are not required for said purpose, shall be paid over to the City.

Execution of Documents and Proof of Ownership by Owners. Any request, declaration or other instrument which the Fiscal Agent Agreement may require or permit to be executed by Owners may be in one or more instruments of similar tenor, and shall be executed by Owners in person or by their attorneys appointed in writing.

Except as otherwise expressly provided in the Fiscal Agent Agreement, the fact and date of the execution by any Owner or his attorney of such request, consent, declaration or other instrument, or of such writing appointing such attorney, may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request, declaration or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer.

Except as otherwise expressly provided in the Fiscal Agent Agreement, the ownership of registered Bonds and the amount, maturity, number and date of holding the same shall be proved by the registry books.

Any request, consent, declaration or other instrument or writing of the Owner of any Bond shall bind all future Owners of such Bond in respect of anything done or suffered to be done by the City or the Fiscal Agent in good faith and in accordance therewith.

No member, officer, agent or employee of the City shall be individually or personally liable for the payment of the principal of, or interest or any premium on, the Bonds; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law.

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APPENDIX D

THE CITY OF ROSEVILLE AND PLACER COUNTY

The District is located in the City of Roseville in Southwestern Placer County. The financial and economic data for the City are presented for information purposes only. The Bonds are not a debt or obligation of the City or the County, but are a limited obligation of the City secured solely by the funds held pursuant to the Fiscal Agent Agreement.

The City of Roseville is located in Placer County, in California's Sacramento Valley near the foothills of the Sierra Nevada mountain range, about 16 miles northeast of Sacramento and 110 miles east of San Francisco. The City, with a population estimated to be approximately 104,655 at January 1, 2006, is the largest city in Placer County, as well as the residential and industrial center of the County.

The City has warm summers typical of central California, with an average July temperature of 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

The following table shows population estimates for the City, the County and the State as of January 1 for the past five calendar years.

PLACER COUNTY Population Estimates 2002 through 2006

Year	City of Roseville	Placer County	State of California
2002	87,630	271,109	35,088,671
2003	93,502	283,942	35,691,472
2004	98,558	297,033	36,245,016
2005	103,185	308,431	36,728,196
2006	104,655	316,508	37,172,015

Source: California State Department of Finance.

Effective Buying Income

Effective buying income ("EBI") is designated as personal income less personal tax and non-tax payments. Personal income is the aggregate of wages and salaries, other labor income (such as employer contributions to private pension funds), proprietor's income, rental income (which includes imputed rental income of Owner-occupants of non-farm dwellings), dividends paid by corporations, personal interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local, non-tax payments (such as fines, fees, penalties), and personal contributions for social insurance. Effective buying income is a bulk measure of market potential. It indicates the general ability to buy and is essential in comparing, selecting and grouping markets on that basis. The following table demonstrates the growth in annual estimated EBI for the County, the State of California and the United States.

The following table summarizes the total effective buying income for Placer County, the State of California and the United States for the period 2001 through 2005.

Effective Buying Income Calendar Years 2001 through 2005

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2001	Placer County	\$5,883,619	\$49,427
	California	650,521,407	43,532
	United States	5,303,481,498	38,365
2002	Placer County	\$6,352,855	\$50,350
	California	647,879,427	42,484
	United States	5,340,682,818	38,035
2003	Placer County	\$6,834,353	\$50,504
	California	674,721,020	42,924
	United States	5,466,80,008	38,201
2004	Placer County	\$7,318,021	\$51,455
	California	705,108,410	43,915
	United States	5,692,909,567	39,324
2005	Placer County	\$7,979,745	\$52,702
	California	720,798,106	44,681
	United States	5,894,663,750	40,529

Source: Sales & Marketing Management Survey of Buying Power for 2001 through 2004;
Claritas Demographics for 2005.

Employment and Industry

The unemployment rate in the Sacramento-Arden Arcade-Roseville MSA (which includes Sacramento, Placer, Yolo and El Dorado Counties) was 5.3% in February 2007. This compares with an unadjusted unemployment rate of 5.2% for California and 4.5% for the nation during the same period. The unemployment rate was 5.2% in El Dorado County, 4.7% in Placer County, 5.2% in Sacramento County, and 6.6% in Yolo County.

The table below provides information about employment by industry type for the Sacramento MSA for calendar years 2002 through 2006.

SACRAMENTO-ARDEN ARCADE-ROSEVILLE MSA El Dorado, Placer, Sacramento, Yolo Counties Employment by Industry Annual Averages

	2002	2003	2004	2005	2006
Civilian Labor Force ⁽¹⁾	964,400	989,800	1,004,200	1,020,000	1,039,800
Employment	911,500	933,500	950,100	971,900	991,300
Unemployment	52,900	56,300	54,100	48,100	48,500
<u>Unemployment Rate</u>	5.5%	5.7%	5.4%	4.7%	4.7%
Wage and Salary Employment ⁽²⁾					
Agriculture	7,900	7,500	7,400	7,400	7,600
Natural Resources and Mining	800	700	700	700	800
Construction	61,300	66,500	70,800	73,400	71,000
Manufacturing	47,000	46,300	47,300	48,800	49,200
Wholesale Trade	25,600	26,300	26,500	26,900	28,600
Retail Trade	92,700	94,900	96,700	98,700	100,600
Transportation, Warehousing and Utilities	22,400	21,900	22,900	23,400	23,900
Information	23,100	21,900	20,900	19,900	19,900
Finance and Insurance	41,300	44,800	45,400	47,000	48,400
Real Estate and Rental and Leasing	13,900	14,600	15,100	16,400	16,900
Professional and Business Services	96,100	95,800	98,400	102,800	106,300
Educational and Health Services	78,000	81,000	84,600	88,200	92,000
Leisure and Hospitality	75,200	77,300	79,900	82,100	85,700
Other Services	28,200	28,000	28,500	28,500	28,700
Federal Government	12,700	12,900	12,600	12,800	12,600
State Government	108,200	106,700	102,300	102,500	105,400
Local Government	105,900	106,600	106,800	108,800	110,400
Total, All Industries ⁽³⁾	840,100	853,500	866,400	888,300	908,000

⁽¹⁾ Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

⁽²⁾ Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

⁽³⁾ Totals may not add due to rounding.

Source: State of California Employment Development Department.

Major Employers

The table below lists the top 10 major employers in the City as of 2006.

CITY OF ROSEVILLE Major Employers 2006

Business	No. of Employees	Product/Service
Hewlett-Packard	3,857	Technology
Kaiser Permanente	3,062	Health Care
Sutter Roseville Medical Center	1,922	Health Care
Union Pacific	1,328	Railroad
City of Roseville	1,233	Government
Roseville Joint Union High School District	975	Education
Roseville Elementary School District	840	Education
NEC Electronics	800	Technology
PRIDE Industries	800	Employment Service
Wal-Mart	690	Retail

Source: City of Roseville, Economic & Community Services Department.

The table below lists the largest employers in the County as of January 1, 2007.

PLACER COUNTY Major Employers January 1, 2007

Employer Name	Location	Industry
Adventist Health	Roseville	Health Services
Alpine Meadows Ski Area	Alpine Meadows	Skiing Centers & Resorts
Auburn Area Answering Svc	Auburn	Paging & Answering Service
Club Cruise Inc	Auburn	Travel Agencies & Bureaus
Coherent Inc	Auburn	Lasers-Medical-Manufacturers
Ford Authorized Sales/Service	Roseville	Automobile Dealers-New Cars
Formica Corp	Rocklin	Plastics-High Pressure Laminates (Mfrs)
Future Ford	Roseville	Automobile Dealers-New Cars
Hewlett-Packard	Roseville	Exporters
Home Depot	Roseville	Home Centers
J R Pierce Plbg Co Of Sacto	Rocklin	Plumbing Contractors
Kaiser Permanente Laser Vision	Roseville	Laser Vision Correction
Nec Electronics Usa Inc	Roseville	Semiconductors & Related Devices (Mfrs)
Oracle Corp	Rocklin	Computer Software
Placer County Sheriff	Auburn	Sheriff
Placer County Superintendent	Auburn	Schools
Public Works	Auburn	Grading Contractors
Resort At Squaw Creek	Olympic Valley	Spas-Beauty & Day
Roseville Toyota Scion	Roseville	Automobile Dealers-New Cars
Sierra Community College Dist	Rocklin	Schools-Universities & Colleges Academic
Sierra Wes Drywall Inc	Loomis	Dry Wall Contractors
Sutter Auburn Faith Hospital	Auburn	Hospitals
Sutter Roseville Medical Ctr	Roseville	Hospitals
Thunder Valley Casino	Lincoln	Casinos
Wal-Mart	Roseville	Department Stores

Source: State of California Employment Development Department.

Construction Activity

The following table shows a five-year summary of the valuation of building permits issued in the County.

PLACER COUNTY Building Permit Valuation (Valuation in Thousands of Dollars)

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
<u>Permit Valuation</u>					
New Single-family	\$947,283.1	\$1,124,222.7	\$1,037,441.2	\$1,128,674.4	\$1,160,684.7
New Multi-family	101,162.3	141,165.7	51,983.3	14,777.9	47,179.2
Res. Alterations/Additions	<u>38,811.9</u>	<u>45,294.0</u>	<u>46,182.9</u>	<u>72,624.7</u>	<u>75,000.4</u>
Total Residential	1,087,257.3	1,310,682.4	1,135,607.5	1,216,077.0	1,282,864.2
New Commercial	105,418.9	136,904.0	104,946.5	148,943.1	134,966.4
New Industrial	9,917.4	3,858.0	9,213.6	13,600.2	6,870.8
New Other	38,521.1	57,145.6	61,638.8	74,011.4	112,453.9
Com. Alterations/Additions	<u>65,854.6</u>	<u>57,145.7</u>	<u>80,503.9</u>	<u>94,818.0</u>	<u>115,465.6</u>
Total Nonresidential	\$219,712.0	\$255,053.3	\$256,302.9	\$331,372.8	\$369,756.7
<u>New Dwelling Units</u>					
Single Family	4,717	5,441	4,670	4,743	4,858
Multiple Family	<u>1,257</u>	<u>1,747</u>	<u>584</u>	<u>151</u>	<u>436</u>
TOTAL	5,974	7,188	5,254	4,894	5,294

Source: Construction Industry Research Board, Building Permit Summary.

The following table shows residential and non-residential building permits issued, for calendar years 2001 through 2005.

CITY OF ROSEVILLE Building Permit Valuation (Valuation in Thousands of Dollars)

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
<u>Permit Valuation</u>					
New Single-family	\$356,214.1	\$526,365.7	\$384,045.3	\$251,956.9	\$174,522.4
New Multi-family	61,1001.6	78,999.5	42,747.2	7,863.7	17,304.5
Res. Alterations/Additions	<u>2,455.9</u>	<u>2,649.5</u>	<u>2,374.4</u>	<u>3,781.0</u>	<u>3,043.1</u>
Total Residential	420,600.6	608,014.8	429,166.9	263,601.6	194,870.0
New Commercial	50,213.0	105,953.3	91,323.3	88,982.1	69,756.3
New Industrial	6,214.0	2,922.5	3,883.9	13,600.2	5,975.0
New Other	11,554.4	22,969.7	23,697.7	25,404.3	23,301.6
Com. Alterations/Additions	<u>40,608.4</u>	<u>34,272.8</u>	<u>37,062.9</u>	<u>43,987.8</u>	<u>52,473.8</u>
Total Nonresidential	108,589.8	166,118.3	155,967.7	171,974.3	151,506.7
<u>New Dwelling Units</u>					
Single Family	1,456	2,300	1,467	1,015	826
Multiple Family	<u>762</u>	<u>914</u>	<u>474</u>	<u>93</u>	<u>165</u>
TOTAL	2,218	3,214	1,941	1,108	991

Source: Construction Industry Research Board, Building Permit Summary.

Residential Development. According to the City's *Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2006*, economic growth is strong despite recent slowdowns in the housing market. New home building permits are up in early 2007 over the same time period last year.

Commercial and Industrial Development. The City added nearly 354,000 square feet of commercial space and over 1.3 million square feet of office space in Fiscal Year 2006. 297,000 square feet of new industrial space was also added during the same time period.

The City's health care sector showed continued growth. Major expansions of both Kaiser and Sutter Hospitals are almost complete.

Commercial Activity

During the first quarter of calendar year 2006, reported total taxable sales in the City were reported to be \$939,703,000 a 7.7% increase over total taxable transactions of \$872,331,000 that were reported during the first quarter of calendar year 2005. A summary of taxable transactions in the City is shown below. Annual figures are not yet available for 2006.

CITY OF ROSEVILLE Taxable Transactions Calendar Years 2001 through 2005 (Dollars in Thousands)

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Apparel stores	\$110,463	\$118,936	\$128,694	\$158,633	\$167,693
General merchandise stores	370,924	418,267	467,494	561,058	599,179
Food stores	66,469	75,978	93,286	95,389	101,410
Eating and drinking places	177,347	195,011	214,558	235,917	258,486
Home furnishing and appliances.	82,000	96,700	108,737	136,822	135,036
Building material and farm implements	174,920	217,298	251,148	288,940	293,684
Auto dealers and auto supplies	938,034	1,026,213	1,125,482	1,201,552	1,281,810
Service stations	90,944	89,200	114,336	130,953	152,008
Other retail stores	<u>341,119</u>	<u>376,465</u>	<u>412,610</u>	<u>446,106</u>	<u>495,145</u>
Retail Stores Totals	2,352,220	2,614,068	2,916,345	3,255,370	3,484,451
All Other Outlets	<u>404,367</u>	<u>374,189</u>	<u>372,114</u>	<u>405,061</u>	<u>413,408</u>
TOTAL ALL OUTLETS	\$2,756,587	\$2,988,257	\$3,288,459	\$3,660,431	\$3,897,859
 TOTAL NUMBER OF PERMITS	 2,967	 3,348	 3,909	 4,307	 4,442

Source: California State Board of Equalization.

Total taxable transactions reported in the County during the first quarter of calendar year 2006 were reported to be to \$1,705,682,000, a 7.4% increase over the total taxable transactions of \$1,588,538,000 that were reported during the first quarter of calendar year 2005. A summary of historic taxable sales within the County is shown below. Annual figures are not yet available for 2006.

PLACER COUNTY
Taxable Transactions
Calendar Years 2001 through 2005
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2001	3,385	\$3,793,236	8,885	\$5,201,929
2002	3,861	4,161,204	9,559	5,549,881
2003	4,389	4,539,346	10,543	5,973,818
2004	4,841	5,024,153	11,184	6,595,566
2005	5,055	5,539,337	11,488	7,232,568

Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

APPENDIX E
FORM OF OPINION OF BOND COUNSEL

_____, 2007

City Council
City of Roseville
311 Vernon Street
Roseville, California 94111

OPINION: \$_____ City of Roseville Diamond Creek Community Facilities District
 No. 1 (Public Facilities) Special Tax Bonds Series 2007

Members of the City Council:

We have acted as bond counsel in connection with the issuance by the City of Roseville (the "City") of \$_____ City of Roseville Diamond Creek Community Facilities District No. 1 (Public Facilities) Special Tax Bonds Series 2007 (the "Bonds"), pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, constituting Section 53311, et seq. of the California Government Code (the "Act") and a Fiscal Agent Agreement dated as of May 1, 2007 (the "Fiscal Agent Agreement") by and between the City on behalf of the City of Roseville Diamond Creek Community Facilities District and The Bank of New York Trust Company, N.A.. We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the City contained in the Fiscal Agent Agreement, and in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The City is duly created and validly existing as a public body, corporate and politic, with the power to adopt the resolution authorizing the issuance of the Bonds, enter into the Fiscal Agent Agreement, and perform the agreements on its part contained therein and issue the Bonds.

2. The Bonds have been duly authorized, executed and delivered by the City and are valid and binding limited obligations of the City, payable solely from the sources provided therefor in the Fiscal Agent Agreement.

3. The Fiscal Agent Agreement has been duly entered into by the City and constitutes a valid and binding obligation of the City enforceable upon the City.

4. Pursuant to the Act the Fiscal Agent Agreement creates a valid lien on the funds pledged by the Fiscal Agent Agreement.

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 opinion set forth in the preceding sentence is subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Bonds in order that such interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The City has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

6. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Fiscal Agent Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully submitted,

APPENDIX F

FORM OF CONTINUING DISCLOSURE UNDERTAKINGS

CONTINUING DISCLOSURE AGREEMENT (City)

THIS CONTINUING DISCLOSURE AGREEMENT (the "Disclosure Agreement") is dated as of _____, 2007, is by and between the City of Roseville, a public body, corporate and politic, organized and existing under and by virtue of the laws of the State of California (the "Issuer" or the "City"), and _____, _____, California, in its capacity as Dissemination Agent (the "Dissemination Agent").

WITNESSETH:

WHEREAS, pursuant to a Fiscal Agent Agreement dated as of May 1, 2007 (the "Fiscal Agent Agreement") by and between the City and The Bank of New York Trust Company, N.A., as the Fiscal Agent, the City has issued its City of Roseville Diamond Creek Community Facilities District No. 1 (Public Facilities) Special Tax Bonds Series 2007 (the "Bonds"), in the aggregate principal amount of \$_____; and

WHEREAS, this Disclosure Agreement is being executed and delivered by the City and the Dissemination Agent for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter of the Bonds in complying with Securities and Exchange Commission Rule 15c2-12(b)(5);

NOW, THEREFORE, for and in consideration of the mutual promises and covenants herein contained, the parties hereto agree as follows:

SECTION 1. Definitions. In addition to the definitions set forth in the Agreement, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 2 and 3 of this Disclosure Agreement.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Disclosure Representative" shall mean the designees of the City to act as the disclosure representative.

"Dissemination Agent" shall mean _____, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the City.

"Listed Events" shall mean any of the events listed in Section 4(a) of this Disclosure Agreement and any other event legally required to be reported pursuant to the Rule.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. Any filing under this Disclosure Agreement with a National Repository may be made solely by transmitting such filing to the Texas Municipal Advisory Council (the "MAC") as provided at <http://www.disclosureusa.org> unless the United States Securities and Exchange Commission has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004.

"Official Statement" means the Official Statement, dated _____, 2007, 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, 2007 (for the report due January 15, 2008), provide to each Repository an Annual Report which is consistent with the requirements of Section 3 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 3 of this Disclosure Agreement. Not later than fifteen (15) Business Days prior to said date, the City shall provide the Annual Report to the Dissemination Agent. The City shall provide an Officer's Certificate with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder. The Dissemination Agent may conclusively rely upon such Officer's Certificate of the City.

(b) If by fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the Repositories, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with subsection (a).

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the Repositories by the date required in subsection (a), the Dissemination Agent shall provide to (i) each National Repository or the Municipal Securities Rulemaking Board and

(ii) each appropriate State Repository (with a copy to the Trustee) a notice, in substantially the form attached as Exhibit A.

(d) With respect to the Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and the State Repository, if any; and

(i) (if the Dissemination Agent is other than the City), to the extent appropriate information is available to it, file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 3. Content of Annual Reports. The City's Annual Report shall contain or include by reference the following:

(a) The following information:

1. Principal amount of Bonds outstanding.
2. Balance in the improvement fund or construction account.
3. Balance in debt service reserve fund, and statement of the reserve fund requirement. Statement of projected reserve fund draw, if any.
4. Balance in other funds and accounts held by Issuer or fiscal agent related to the Bonds.
5. Additional debt authorized by the City and payable from or secured by assessments or special taxes with respect to property within the District.
6. The Special Tax levy, the delinquency rate, total amount of delinquencies, number of parcels delinquent in payment for the five most recent fiscal years.
7. Notwithstanding the June 30th reporting date for the Annual Report, the following information shall be reported as of the last day of the month immediately preceding the date of the Annual Report rather than as of June 30th. Identity of each delinquent taxpayer responsible for 5 percent or more of total special tax/assessment levied, and the following information: assessor parcel number, assessed value of applicable properties, amount of Special Tax levied, amount delinquent by parcel number and status of foreclosure proceedings. If any foreclosure has been completed, summary of results of foreclosure sales or transfers.
8. Most recently available total assessed value of all parcels subject to the special tax or assessment.
9. List of landowners and assessor's parcel number of parcels subject to 20 percent or more of the Special Tax levy including the following information: development

status to the extent shown in City records, land use classification, assessed value (land and improvements).

(b) Audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 2(a), the Annual Report shall contain unaudited financial statements in a format similar to that used for the City's audited financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available; provided, that in each Annual Report or other filing containing the City's financial statements, the following statement shall be included in bold type:

THE CITY'S ANNUAL FINANCIAL STATEMENT IS PROVIDED SOLELY TO COMPLY WITH THE SECURITIES EXCHANGE COMMISSION STAFF'S INTERPRETATION OF RULE 15C2-12. NO FUNDS OR ASSETS OF THE CITY OF ROSEVILLE (OTHER THAN THE PROCEEDS OF THE SPECIAL TAXES LEVIED FOR THE DIAMOND CREEK COMMUNITY FACILITIES DISTRICT AND SECURING THE BONDS) ARE REQUIRED TO BE USED TO PAY DEBT SERVICE ON THE BONDS AND THE CITY IS NOT OBLIGATED TO ADVANCE AVAILABLE FUNDS FROM THE CITY TREASURY TO COVER ANY DELINQUENCIES. INVESTORS SHOULD NOT RELY ON THE FINANCIAL CONDITION OF THE CITY IN EVALUATING WHETHER TO BUY, HOLD OR SELL THE BONDS.

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

SECTION 4. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 4, the City shall give an Officer's Certificate including notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults.
3. Modifications to rights of Bondholders.
4. Optional, contingent or unscheduled Bond calls.
5. Defeasances.
6. Rating changes.
7. Adverse tax opinions or events affecting the tax-exempt status of the Bonds.
8. Unscheduled draws on the debt service reserves, if any, reflecting financial difficulties.
9. Unscheduled draws on credit enhancements reflecting financial difficulties.
10. Substitution of credit or liquidity providers, or their failure to perform.
11. Release, substitution, or sale of property securing repayment of the Bonds.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City shall as soon as possible determine if such event would constitute material information for Holders of Bonds, provided, that any event under subsection (a)(6) will always be defined to be material.

(c) If the City determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the City shall, or by written direction cause the Dissemination Agent (if not the City) to, promptly file a notice of such occurrence with (i) each National Repository or the Municipal Securities Rulemaking Board and (ii) each appropriate State Repository with a copy to the Trustee, together with written direction to the Trustee whether or not to notify the Bond holders of the filing of such notice. In the absence of any such direction, the Trustee shall not send such notice to the Bond holders. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(4) and 5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Certificates pursuant to the Indenture.

(d) If in response to a request under subsection (b), the City determines that the Listed Event would not be material under applicable federal securities laws, the City shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (e).

(e) If the Dissemination Agent has been instructed by the City to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the Repository. Notwithstanding the foregoing:

SECTION 5. Termination of Reporting Obligation. The obligations of the City, the Dissemination Agent under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 4(e) hereof. If the City's obligations under the Agreement are assumed in full by some other entity, such person shall be responsible for compliance with this Disclosure Agreement in the same manner as if it were the City, and the City shall have no further responsibility hereunder.

SECTION 6. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign at any time by providing at least 30 days' notice in writing to the Issuer and the City.

SECTION 7. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the City and the Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent shall agree to any amendment so requested by the Issuer, provided no amendment increasing or affecting the obligations or duties of the Dissemination Agent shall be made without the consent of either such party) and any provision of this Disclosure Agreement may be waived if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to the Issuer, the City and the Dissemination Agent to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

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

SECTION 9. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their respective powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Bondholders, or any other party. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 10. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the City:

City of Roseville
311 Vernon Street
Roseville, California 95678
Attn: CFD Administrator

To the Dissemination Agent:

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

SECTION 11. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 12. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Disclosure Agreement as of the date first above written.

CITY OF ROSEVILLE, for and on behalf of
City of Roseville Diamond Creek
Community Facilities District No. 1 (Public
Facilities)

By: _____
Authorized Officer

_____, 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 Diamond Creek Community
Facilities District No. 1 (Public Facilities) Special Tax Bonds Series
2007

Date of Issuance: _____, 2007

NOTICE IS HEREBY GIVEN that the City of Roseville (the "City") on behalf of City of Roseville Diamond Creek Community Facilities District No. 1 (Public Facilities) has not provided an Annual Report with respect to the above-named Bonds as required by the Fiscal Agent Agreement dated as of May 1, 2007 (the "Fiscal Agent Agreement") by and between the City and The Bank of New York Trust Company, N.A., as Fiscal Agent. The City anticipates that the Annual Report will be filed by _____.

Dated: _____

_____, as Dissemination Agent,
on behalf of City of Roseville Diamond
Creek Community Facilities District No. 1
(Public Facilities)

By: _____
Authorized Officer

cc: City of Roseville

**CONTINUING DISCLOSURE AGREEMENT
(Developer)**

THIS CONTINUING DISCLOSURE AGREEMENT (the "Disclosure Agreement") dated as of _____, 2007, is by and between Diamond Creek Partners, Ltd. (the "Developer") and _____, California, in its capacity as Dissemination Agent (the "Dissemination Agent").

W I T N E S S E T H:

WHEREAS, pursuant to the Fiscal Agent Agreement dated as of May 1, 2007 (the "Fiscal Agent Agreement"), by and between the City and the Dissemination Agent, in its capacity as Fiscal Agent thereunder, the City has issued its City of Roseville Diamond Creek Community Facilities District No. 1 (Public Facilities) Special Tax Bonds Series 2007 (the "Bonds"), in the aggregate principal amount of \$_____; and

WHEREAS, this Disclosure Agreement is being executed and delivered by the Developer and the Dissemination Agent for the benefit of the Holders and Beneficial Owners of the Bonds;

NOW, THEREFORE, for and in consideration of the mutual promises and covenants herein contained, the parties hereto agree as follows:

SECTION 1. Definitions. In addition to the definitions set forth in the Agreement, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Developer pursuant to, and as described in, Sections 2 and 3 of this Disclosure Agreement.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Dissemination Agent" shall mean _____, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the City.

"Issuer" shall mean the City of Roseville, Placer County, California.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time. Any filing under this Disclosure Agreement with a National Repository may be made solely by transmitting such filing to the Texas Municipal Advisory Council (the "MAC") as provided at <http://www.disclosureusa.org> unless the United States

Securities and Exchange Commission has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004.

"Official Statement" means the Official Statement, dated, _____, 2007, relating to the Bonds.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds.

"Project" shall mean the proposed subdivision within the District, as described in the Official Statement.

"Repository" shall mean each National Repository and each State Repository.

"State" shall mean the State of California.

SECTION 2. Provision of Annual Reports.

(a) The Developer shall, not later than April 1st of each year (reflecting reported information as of December 31st of the prior year) beginning with the report due April 1, 2008 and continuing while this agreement is in effect, provide to the Dissemination Agent an Annual Report which is consistent with the requirements of Section 3 of this Disclosure Agreement with a copy to the Issuer. The Developer shall provide a written certification with each Annual Report furnished to the Dissemination Agent and the Issuer to the effect that the Annual Report is being provided pursuant to this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement. If the Developer's fiscal year changes, it shall give notice of such change in the manner set forth under Section 4(c).

(b) If by fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the Repositories, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Developer to determine if the Developer is in compliance with subsection (a).

(c) If the Developer is unable to provide to the Dissemination Agent an Annual Report by the date required in subsection (a), the Developer shall send a notice to the Dissemination Agent substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

- (i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and the State Repository, if any; and
- (ii) (if the Dissemination Agent is other than the Developer), to the extent appropriate information is available to it, file a report with the Developer certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 3. Content of Annual Reports. The Developer's Annual Report shall contain or incorporate by reference the following, if material:

(a) Any significant changes in the information contained in the Official Statement under the headings: "THE DISTRICT - Anticipated Development in the District" and the status of completion of the Improvements (as defined in the Official Statement).

(b) A general description of the development status of the parcels within the District.

(c) A summary of property within the District sold by the Developer since the date of the Official Statement.

(d) A description of any change in the legal structure of the Developer which is material to Bond investors.

(e) Material changes in Project costs, status of any construction loans and any permanent financing received by the Developer with respect to the Project that could have a significant impact on the Developer's ability to complete the construction and sale of homes within the District.

(f) Any denial of credit, lines of credit, loans or loss of source of capital that could have a significant impact on the Developer's ability to pay the Special Tax or other taxes or assessments or to comply with its obligations under the Development Agreement.

(g) Any failure by the Developer to pay when due general property taxes, assessments or special taxes with respect to its property in the District.

(h) Any previously undisclosed amendments to the land use entitlements or environmental conditions or other governmental conditions that are necessary to complete the development plan.

(i) A description of any changes to the Development Agreement which materially adversely affect the development of the property within the District as set forth in the Official Statement.

SECTION 4. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 4, the Developer shall give, to the Dissemination Agent, notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (i) failure to pay any real property taxes (including any assessments or special taxes) levied within the District on a parcel owned by the Developer.
- (ii) the discovery of toxic material or hazardous waste which will require remediation on any property owned by the Developer subject to the Special Tax.
- (iii) default by the Developer on any loan with respect to the construction or permanent financing of public or private improvements with respect to the Project.
- (iv) Initiation of Dissemination bankruptcy proceedings (whether voluntary or involuntary) by the Developer or any related entity.

(b) Whenever the Developer obtains knowledge of the occurrence of an event described in section (a), the Developer shall as soon as possible determine if such event would be material to Bond investors under applicable federal securities laws.

(c) If the Developer determines that knowledge of the occurrence of such event would be material under applicable federal securities laws, the Developer shall promptly provide a notice of such occurrence to the Dissemination Agent, with a copy to the Issuer.

SECTION 5. Termination of Reporting Obligation. The obligations of the Developer and the Dissemination Agent under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. In addition the Developer shall have no obligations hereunder if the Special Tax of the District on all property within the District owned by the Developer and affiliates or partners thereof is less than twenty percent (20%) of the total Special Tax for the entire District. If such termination occurs prior to the final maturity of the Bonds, the Developer shall give notice of such termination in the manner set forth under Section 4(c).

SECTION 6. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Developer and the Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent shall agree to any amendment so requested by the Developer, provided no amendment increasing or affecting the obligations or duties of the Dissemination Agent shall be made without the consent of either such party), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 2(a), 3, or 4(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements or change in law;

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

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Developer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type of information being presented by the Developer.

SECTION 7. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Developer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a material event, in addition to that which is required by this Disclosure Agreement. If the Developer chooses to include any information in any Annual Report or notice of occurrence of a material event in addition to that which is specifically required by this Disclosure Agreement, the Developer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a material event.

SECTION 8. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Developer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their respective powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the Developer for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Bondholders, or any other party. The obligations of the Developer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 9. Subsequent Developers. The Developer will require, as a condition of sale of any property which the Developer sells within the Project resulting in a new owner who, together with affiliates or partners thereof, owns at least twenty percent (20%) of the total assessments for the entire District, that such purchaser execute an agreement substantially in the form of this Disclosure Agreement, unless this Disclosure Agreement, as it may be amended from time to time, by its own terms would not require the purchaser to provide any disclosure.

SECTION 10. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the Developer	Diamond Creek Partners, Ltd. 130 Diamond Creek Place, Suite 1 Roseville, California 95747 916-786-8158
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To the Dissemination Agent:

To the Issuer/City:	City of Roseville 311 Vernon Street Roseville, CA 95678 Attn: CFD Administrator
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Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

SECTION 11. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 12. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Disclosure Agreement as of the date first above written.

By: _____

Its: _____

ECONOMIC & PLANNING SYSTEMS,
as Dissemination Agent

By: _____
Authorized Officer

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Roseville

Name of Bond Issue: \$_____ City of Roseville, Diamond Creek Community
Facilities District No. 1 (Public Facilities), Special Tax Bonds, Series
2007

Date of Issuance: _____, 2007

NOTICE IS HEREBY GIVEN that Roseville _____ (the
"Developer") has not provided an Annual Report with respect to the above-named Bonds as
required by the Continuing Disclosure Agreement of the Developer dated as of the date of
issuance of such Bonds. The Developer anticipates that the Annual Report will be filed by
_____.

Dated: _____

on behalf of the Dissemination Agent

By:

Its:

cc: Developer

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APPENDIX G

THE BOOK ENTRY SYSTEM

Book-Entry System

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

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("**Beneficial Owner**") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued. To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such securities are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed. Neither DTC nor Cede & Co. will consent or vote with respect to the Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to an issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, mandatory redemption and interest payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on payment dates in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the date payable. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Fiscal Agent or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the City or the Fiscal Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be responsibility of Direct and Indirect Participants.

The City cannot and does not give any assurances that DTC, DTC Participants or others will distribute payments of principal, interest or premium with respect to the Bonds paid to DTC or its nominee as the registered owner, or will distribute any redemption notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. The City is not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner with respect to the Bonds or an error or delay relating thereto.

The foregoing description of the procedures and record-keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interests in such Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Discontinuance of Book-Entry System

DTC may discontinue providing its services with respect to the Bonds at any time by giving notice to the Fiscal Agent and discharging its responsibilities with respect thereto under applicable law or the City may terminate participation in the system of book-entry transfers through DTC or any other securities depository at any time. In the event that the book-entry system is discontinued, the City will execute, and the Fiscal Agent will authenticate and make available for delivery, replacement Bonds in the form of registered bonds. In addition, the principal of and redemption premium, if any, on the Bonds will be payable as set forth in the Fiscal Agent Agreement and summarized above under the caption "Description of the Bonds." Bonds will be transferable and exchangeable on the terms and conditions provided in the Fiscal Agent Agreement. See "Transfer or Exchange of Bonds" above.