

*In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming certain representations and compliance with certain covenants and requirements described herein, 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 calculating the federal alternative minimum tax imposed on individuals and corporations; although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax. See "LEGAL MATTERS — Tax Matters" herein.*

**\$18,555,000**  
**ROSEVILLE FINANCE AUTHORITY**  
**SPECIAL TAX REVENUE REFUNDING BONDS**  
**SERIES 2016**

Dated: Date of Delivery

Due: September 1, as shown on inside cover

**General.** The Special Tax Revenue Refunding Bonds, Series 2016 (the "Bonds") are being issued by the Roseville Finance Authority (the "Authority") to refund, on a current basis, the Authority's outstanding Revenue Bonds, 2006 Series A (Senior Lien Bonds) and 2006 Series B (Junior Lien Bonds) (together, the "2006 Bonds"), and to pay certain costs of issuance including the cost of a debt service reserve insurance policy issued by Assured Guaranty Municipal Corp. ("AGM"). The 2006 Bonds were issued by the Authority to assist the City of Roseville (the "City") in the financing and refinancing of certain special tax bonds issued by the City to finance improvements for its Highland Reserve North Community Facilities District No. 1 and Woodcreek East Community Facilities District No. 1 (together, the "Districts") pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, being California Government Code Section 53311, et seq. (the "Act").

**Security and Sources of Payment for the Bonds and CFD Bonds.** The Bonds are payable solely from "Revenues" pledged by the Authority under the Indenture (described herein), which consist primarily of payments received by the Authority from the City on the City of Roseville Highland Reserve North Community Facilities District No. 1 Special Tax Bonds, Series 2006 issued in the original principal amount of \$33,120,000 and the City of Roseville Woodcreek East Community Facilities District No. 1 Special Tax Bonds, Series 2006 issued in the original principal amount of \$6,245,000 (collectively, the "CFD Bonds"), which payments are secured by liens of unpaid special taxes authorized under the Act, as more fully described herein. Each respective series of CFD Bonds is payable from special taxes (net of administration expenses) levied within the respective District and paid to the Authority as debt service on the respective CFD Bonds. Installments of principal and interest sufficient to meet annual CFD Bonds debt service are included on the regular county tax bills sent to owners of property against which there are unpaid special taxes. Scheduled payments under the CFD Bonds collectively are sufficient to permit the Authority to pay the principal of and interest on the Bonds when due. The CFD Bonds were issued in 2006 and are not being refunded or amended in connection with the issuance of the Bonds (although certain references in the principal legal documents to the 2006 Bonds and the indenture for the 2006 Bonds will be amended to refer to the Bonds and the Indenture, and reference to the Reserve Surety will be added). In addition, a Reserve Fund will be established and available if there are insufficient Revenues to make payment on the Bonds. See "SECURITY FOR THE BONDS AND SOURCES OF PAYMENT THEREFOR."

**Bond Terms.** The Bonds will be issued in denominations of \$5,000 or any integral multiple of \$5,000. Interest is payable semiannually on each March 1 and September 1, commencing March 1, 2017. The Bonds will be initially issued only in book-entry form and registered to Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository of the Bonds. Principal and interest (and premium, if any) on the Bonds is payable by the Trustee to DTC, which remits such payments to its Participants for subsequent distribution to the registered owners as shown on the Trustee's books. See "THE BONDS – General Provisions" and "– Book-Entry Only System."

**Redemption.** The Bonds are subject to redemption prior to maturity as described herein. See "THE BONDS – Redemption."

**Risk Factors.** The Bonds may not be appropriate investments for certain individuals. See "RISK FACTORS" for a discussion of the risk factors that should be considered in evaluating the investment quality of the Bonds.

**Bond Insurance.** The scheduled payment of principal of and interest on the Bonds maturing on September 1 of the years 2024 through 2027, inclusive (the "Insured Bonds"), when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Insured Bonds by AGM. See "BOND INSURANCE" and "APPENDIX H – Specimen Municipal Bond Insurance Policy" herein.



THE BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM AND SECURED SOLELY BY THE REVENUES AND FUNDS PLEDGED THEREFOR IN THE INDENTURE. THE BONDS ARE NOT A DEBT OR LIABILITY OF THE CITY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISIONS THEREOF OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT DESCRIBED HEREIN, AND NEITHER THE FAITH AND CREDIT OF THE AUTHORITY, THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS ARE PLEDGED TO THE PAYMENT OF PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS AND NEITHER THE AUTHORITY (EXCEPT TO THE LIMITED EXTENT DESCRIBED HEREIN), THE CITY, THE STATE NOR ANY OF ITS POLITICAL SUBDIVISIONS IS LIABLE THEREFOR, NOR IN ANY EVENT SHALL THE BONDS OR ANY INTEREST THEREON BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE OF THE AUTHORITY AS SET FORTH IN THE INDENTURE. NEITHER THE BONDS NOR THE OBLIGATION TO MAKE PAYMENTS ON THE CFD BONDS CONSTITUTES AN INDEBTEDNESS OF THE AUTHORITY, THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. THE AUTHORITY HAS NO TAXING POWER.

**Maturity Schedule**  
(see inside cover)

*The Bonds will be offered when, as and if issued and received by RBC Capital Markets, LLC, as underwriter, subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, as Bond Counsel. Certain legal matters will be passed upon for the Authority and the City by the City Attorney. Jones Hall is also acting as Disclosure Counsel to the Authority. Nossaman LLP, Irvine, California, is acting as counsel to the Underwriter. It is anticipated that the Bonds in definitive form will be available for delivery through the facilities of DTC on or about July 14, 2016.*



RBC Capital Markets

## MATURITY SCHEDULE

**\$18,555,000**  
**ROSEVILLE FINANCE AUTHORITY**  
**SPECIAL TAX REVENUE REFUNDING BONDS**  
**SERIES 2016**

(Base CUSIP<sup>†</sup>: 77781P)

<u>Maturity Date</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP</u> <sup>†</sup>
2017	\$1,505,000	3.000%	0.750%	102.527	BZ9
2018	1,645,000	4.000	0.890	106.548	CA3
2019	1,705,000	4.000	1.040	109.092	CB1
2020	1,770,000	4.000	1.240	111.078	CC9
2021	1,840,000	4.000	1.390	112.879	CD7
2022	1,920,000	4.000	1.540	114.337	CE5
2023	2,000,000	4.000	1.690	115.454	CF2
2024**	2,075,000	4.000	1.760	116.898	CG0
2025**	2,155,000	4.000	1.910	117.433	CH8
2026**	950,000	4.000	2.010	118.155	CJ4
2027**	990,000	4.000	2.100	118.768	CK1

\*\* Insured Bonds.

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**ROSEVILLE FINANCE AUTHORITY  
PLACER COUNTY, CALIFORNIA**

**BOARD OF DIRECTORS OF THE AUTHORITY  
AND MEMBERS OF THE CITY COUNCIL**

Carol Garcia, *Mayor/Chairperson of the Authority*  
Susan Rohan, *Vice Mayor/Vice-Chairperson of the Authority*  
Bonnie Gore, *Councilmember/Boardmember*  
Tim Herman, *Councilmember/Boardmember*  
Pauline Roccucci, *Councilmember/Boardmember*

**CITY AND AUTHORITY OFFICERS**

Rob Jensen, *City Manager/Executive Director*  
Jay Panzica, *Chief Financial Officer/Treasurer*  
Monty Hanks, *Finance Director of the City*  
Robert R. Schmitt, *City Attorney/Authority Counsel*  
Sonia Orozco, *City Clerk/Secretary*

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**SPECIAL SERVICES**

**Bond Counsel**

Jones Hall, A Professional Law Corporation  
*San Francisco, California*

**Trustee**

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

**Municipal Advisor**

FirstSouthwest, a Division of Hilltop Securities Inc.  
*Santa Monica, California*

**Special Tax Administrator**

Willdan Financial Services  
*Temecula, California*

**Verification Agent**

Grant Thornton, LLP  
*Minneapolis, Minnesota*

**Disclosure Counsel**

Jones Hall, A Professional Law Corporation  
*San Francisco, California*

## GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

**No Offering May Be Made Except by this Official Statement.** No dealer, broker, salesperson or other person has been authorized by the Authority, the City or the Underwriter to give any information or to make any representations with respect to the Bonds or the CFD Bonds other than as contained in this Official Statement, and if given or made, such other information or representation must not be relied upon as having been authorized by the Authority, the City or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

**Effective Date.** This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds will, under any circumstances, create any implication that there has been no change in the affairs of the Authority, the City, the Districts or any other parties described in this Official Statement, or in the condition of property within the Districts since the date of this Official Statement.

**Use of this 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 a contract with the purchasers of the Bonds.

**Preparation of this Official Statement.** The information contained in this Official Statement has been obtained from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness. The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

**Document References and Summaries.** All references to and summaries of the Indenture or other documents contained in this Official Statement are subject to the provisions of those documents and do not purport to be complete statements of those documents.

**Stabilization of and Changes to Offering Prices.** The Underwriter may over allot or take other steps that stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. If commenced, the Underwriter may discontinue such market stabilization at any time. The Underwriter may offer and sell the Bonds to certain dealers, dealer banks and banks acting as agent at prices lower than the public offering prices stated on the cover page of this Official Statement, and those public offering prices may be changed from time to time by the Underwriter.

**Bonds are Exempt from Securities Laws Registration.** The issuance and sale of the Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exemptions for the issuance and sale of municipal securities provided under Section 3(a)(2) of the Securities Act of 1933 and Section 3(a)(12) of the Securities Exchange Act of 1934.

**Estimates and Projections.** Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE AUTHORITY AND THE CITY DO NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ANY EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

**Bond Insurance.** Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE" and "Appendix H – Specimen Municipal Bond Insurance Policy".

**Internet Site.** The City maintains an Internet website, but the information that it contains is not incorporated in this Official Statement.

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# OFFICIAL STATEMENT

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**\$18,555,000**  
**ROSEVILLE FINANCE AUTHORITY**  
**SPECIAL TAX REVENUE REFUNDING BONDS**  
**SERIES 2016**

This Official Statement, including the cover page and the appendices hereto, is provided to furnish information regarding the issuance by the Roseville Finance Authority (the “**Authority**”) of its Special Tax Revenue Refunding Bonds, Series 2016 (the “**Bonds**”) in the aggregate principal amount set forth above.

*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 Indenture or the respective CFD Bond Indentures described herein.*

## 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 appendices hereto, and the documents summarized or described herein. 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. Capitalized terms used but not defined in this Official Statement have the meanings set forth in the Indenture (as defined below). See “APPENDIX A – Summary of Certain Provisions of Principal Legal Documents.”*

**Financing Plan.** The Bonds are being issued by the Authority to refund, on a current basis, the Authority’s outstanding Revenue Bonds, 2006 Series A (Senior Lien Bonds) and 2006 Series B (Junior Lien Bonds) (together, the “**2006 Bonds**”). The 2006 Bonds were issued by the Authority to assist the City of Roseville (the “**City**”) in the financing and refinancing of certain special tax bonds issued to finance improvements for its Highland Reserve North Community Facilities District No. 1 (“**Highland Reserve North CFD**”) and Woodcreek East Community Facilities District No. 1 (“**Woodcreek East CFD**” and together, the “**Districts**”). The City has previously issued its \$33,120,000 City of Roseville Highland Reserve North Community Facilities District No. 1 Special Tax Bonds, Series 2006 and its \$6,245,000 City of Roseville Woodcreek East Community Facilities District No. 1 Special Tax Bonds, Series 2006 (collectively, the “**CFD Bonds**”), which CFD Bonds provide the primary security and source of payment for the 2006 Bonds and will provide the primary security and source of payment for the Bonds. The CFD Bonds are not being refunded or amended in connection with the issuance of the Bonds (although certain references in the principal legal documents to the 2006 Bonds and the indenture for the 2006 Bonds will be amended to refer to the Bonds and the Indenture, and reference to the Reserve Surety will be added). See “FINANCING PLAN” and “SECURITY FOR THE BONDS AND SOURCES OF PAYMENT THEREFOR” herein.

**Authority for Issuance.** The Bonds are issued under the provisions of Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53570 of said Code (the “**Refunding Bond Law**”), and the terms of an Indenture dated as of July 1, 2016 (the “**Indenture**”) by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “**Trustee**”). In 2006, the CFD Bonds were issued by the City under the Mello-Roos Community Facilities Act of 1982, as amended, being California Government Code Section 53311, *et seq.* (the “**Act**”), and a Bond Indenture, dated as of April 1, 2006, by and between the City, for and on behalf of Woodcreek East CFD, and The Bank of New York Mellon Trust Company, N.A., as trustee (the “**CFD Bonds Trustee**”), and a Bond Indenture, dated as of April 1, 2006, by and between the City, for and on behalf of Highland Reserve North CFD, and the CFD Bonds Trustee.

**The Authority and the City.** The Authority is a joint exercise of powers authority duly organized and existing under the laws of the State of California (the “**State**”). The City is a charter city duly organized and existing under the laws of the State, located within Placer County (the “**County**”). For more information about the City and the County, see “APPENDIX B - General Information about the City of Roseville and Placer County.”

**Security for the Bonds and CFD Bonds.** The Bonds are special obligations of the Authority, payable from and secured by “**Revenues**” (as defined herein) of the Authority consisting primarily of payments received by the Authority from the City in connection with the CFD Bonds. *Neither series of CFD Bonds or the pledge of special taxes to pay such CFD Bonds is cross-collateralized to the other series.* Scheduled payments under the CFD Bonds collectively are sufficient to provide the Authority with money to pay the principal of and interest on the Bonds when due. See “SECURITY FOR THE BONDS AND SOURCES OF PAYMENT THEREFOR” and “SECURITY FOR THE CFD BONDS” below.

The Bonds are secured by a lien on and security interest in all of the Revenues and any other amounts (including proceeds of the sale of the Bonds) held in certain funds established under to the Indenture. See “SECURITY FOR THE BONDS AND SOURCES OF PAYMENT THEREFOR – Revenues and Flow of Funds.”

The CFD Bonds are issued upon and are secured by special taxes (net of certain administrative expenses) (the “**Special Tax**” or “**Special Taxes**”) levied against taxable property in each respective District, and such unpaid Special Taxes constitute a trust fund for the redemption and payment of the principal of the respective CFD Bonds and the interest thereon.

The Special Taxes are to be levied by the City on taxable real property within the boundaries of each District. The CFD 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 related to the CFD Bonds, all as more fully described herein. The Special Tax applicable to each taxable parcel 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 each respective District (each, a “**Special Tax Formula**”) which was approved by the City in connection with the formation of each of the Districts. The Special Tax Formulas for the Districts are set forth in APPENDIX C-1 AND APPENDIX C-2. 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. See “SECURITY FOR THE CFD BONDS — Special Tax Methodology.”

Unpaid Special Taxes do not constitute a personal indebtedness of the owners of the parcels within the Districts and the owners have made no commitment to pay the principal of or interest on the CFD Bonds or the Bonds or to support payment of the Bonds in any manner. In the event of delinquency, proceedings may be conducted only against the particular parcel securing the delinquent Special Tax.

*No series of CFD Bonds or the pledge of special taxes to pay such CFD Bonds is cross-collateralized to any other series of CFD Bonds.*

The Bonds are further secured by a Reserve Fund, which will be held by the Trustee under the Indenture, and which will be funded to the Reserve Requirement (as defined herein) for the Bonds. On the Closing Date, the Authority will deposit a municipal bond debt service reserve insurance policy (the “**Reserve Surety**”) issued by AGM with the Trustee in satisfaction of its obligation to fund the Reserve Fund to the Reserve Requirement. *There is no cross-collateralization of the Reserve Fund; each District will be responsible for repaying draws, if any, on the Reserve Surety up to its Proportionate Share (as defined herein).* See “SECURITY FOR THE BONDS AND SOURCES OF PAYMENT THEREFOR – Reserve Fund.”

**Additional Bonds and CFD Bonds for Refunding Purposes Only.** Additional Bonds and CFD Bonds secured on parity with the Bonds and CFD Bonds, respectively, may be issued but only for refunding purposes. See “SECURITY FOR THE BONDS AND SOURCES OF PAYMENT THEREFOR – Additional Bonds and CFD Bonds for Refunding Purposes Only.”

**Bond Insurance.** Concurrently with the issuance of the Bonds, AGM will issue its municipal bond insurance policy (the “**Policy**”) for the Bonds maturing on September 1 of the years 2024 through 2027, inclusive (the “**Insured Bonds**”). The Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the form of the Policy included as APPENDIX H. The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law. See “BOND INSURANCE.”

**The Districts and Value of Land in the Districts.** Each District is comprised of land located within the City and was formed to finance a portion of certain infrastructure improvements of benefit to such District. Woodcreek East CFD was formed in 2000 and has been fully developed into 350 single-family residential parcels. Highland Reserve CFD was formed in 1999 and has been almost fully developed, with 5 out of 1,487 parcels remaining undeveloped; the remaining parcels in the Highland Reserve CFD have been developed into 1,018 single-family residential parcels, 408 condominium parcels, and 56 commercial parcels. Each of the 5 remaining undeveloped parcels is expected to be developed into a commercial parcel.

Property in the Districts is security for the respective Special Taxes. In connection with valuing property in the Districts, the City has obtained the 2015-16 County assessed valuation (the “**Assessed Valuation**”) of the taxable property in the Districts. The aggregate Assessed Valuation of taxable property in the Districts (1,837 parcels) is \$892,441,766, consisting of \$730,734,138 in Highland Reserve North CFD (1,487 parcels) and \$161,707,628 in Woodcreek East CFD (350 parcels).

**Direct Debt Value to Lien Ratios.** The aggregate Assessed Valuation of taxable property in the Districts is \$892,441,766 (consisting solely of assessed land value and structure value), which is approximately 36 times the \$24,840,000 aggregate principal amount of the CFD

Bonds (not including overlapping debt) outstanding as of September 30, 2015. The aggregate Assessed Valuation of taxable property in the Highland Reserve North CFD is \$730,734,138 (consisting solely of assessed land value and structure value), which is approximately 33 times the \$20,651,000 aggregate principal amount of the Highland Reserve North CFD Bonds (not including overlapping debt) outstanding as of September 30, 2015. The aggregate Assessed Valuation of taxable property in the Woodcreek East CFD is \$161,707,628 (consisting solely of assessed land value and structure value), which is approximately 39 times the \$4,189,000 aggregate principal amount of the Woodcreek East CFD Bonds (not including overlapping debt) outstanding as of September 30, 2015.

**Overlapping Debt Value to Lien Ratios.** The aggregate Assessed Valuation of taxable property in the Districts is \$900,125,076 (consisting of assessed land value and structure value, as well as other property assessed through the County secured property tax roll), which is approximately 31 times the \$28,865,918 total direct and overlapping debt in the Districts as of April 1, 2016. The aggregate Assessed Valuation of taxable property in the Highland Reserve North CFD is \$738,417,448 (consisting of assessed land value and structure value, as well as other property assessed through the County secured property tax roll), which is approximately 31 times the \$23,954,324 total direct and overlapping debt in the Highland Reserve North CFD as of April 1, 2016. The aggregate Assessed Valuation of taxable property in the Woodcreek East CFD is \$161,707,628 (consisting of assessed land value and structure value, as well as other property assessed through the County secured property tax roll), which is approximately 33 times the \$4,911,594 total direct and overlapping debt in the Woodcreek East CFD as of April 1, 2016.

For more information on Assessed Values in the Districts, see “THE DISTRICTS” and APPENDICES D-1 and D-2.

**Risks of Investment.** See the section of this Official Statement entitled “RISK FACTORS” for a discussion of special factors that should be considered, in addition to the other matters set forth herein, in considering the investment quality of the Bonds. **The Bonds are limited obligations of the Authority. Payments received by the Authority from the City in connection with the CFD Bonds is the primary security and source of payment for the Bonds. 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 CFD Bonds. The CFD Bonds and 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 respective CFD Bond Indentures, and neither the payment of the interest on nor principal of or redemption premiums, if any, on the CFD Bonds or the Bonds is a general debt, liability or obligation of the City or the Authority.**

**Limited Scope of Official Statement.** There follows in this Official Statement descriptions of the Authority, the Bonds, the Indenture, the City, the CFD Bonds, the CFD Bond Indentures, and certain other documents. 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. All statements herein with respect to such documents are qualified in their entirety by reference to each such document for the complete details of all of their respective terms and conditions. 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. Terms not defined herein

shall have the meanings set forth in the Indenture or the CFD Bond Indentures, as applicable. See APPENDIX A.

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

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

## FINANCING PLAN

### Refunding of 2006 Bonds

The Bonds are being issued primarily to defease and refund, on a current basis, the 2006 Bonds previously issued by the Authority, and will also be used to pay costs of issuance of the Bonds, including the cost of a debt service reserve insurance policy issued by AGM. The 2006 Bonds consist of the following:

- (i) the Roseville Finance Authority Revenue Bonds, 2006 Series A (Senior Lien Bonds), originally issued in the aggregate principal amount of \$35,870,000 and currently outstanding in the amount of \$22,475,000; and
- (ii) the Roseville Finance Authority Revenue Bonds, 2006 Series B (Junior Lien Bonds), originally issued in the aggregate principal amount of \$4,645,000 and currently outstanding in the amount of \$2,870,000.

The 2006 Bonds were previously issued by the Authority to purchase the CFD Bonds from the City in 2006. The CFD Bonds are not being refunded or amended in connection with the issuance of the Bonds (although certain references in the principal legal documents to the 2006 Bonds and the indenture for the 2006 Bonds will be amended to refer to the Bonds and the Indenture, and reference to the Reserve Surety will be added). The CFD Bonds consist of the following:

- (i) the City of Roseville Highland Reserve North Community Facilities District No. 1 Special Tax Bonds, Series 2006, originally issued in the aggregate principal amount of \$33,120,000 and currently outstanding in the amount of \$20,651,000; and
- (ii) the City of Roseville Woodcreek East Community Facilities District No. 1 Special Tax Bonds, Series 2006, originally issued in the aggregate principal amount of \$6,245,000 and currently outstanding in the amount of \$4,189,000.

The 2006 Bonds will be redeemed in full on September 1, 2016 (the "**Redemption Date**"), at a redemption price equal to 100% of the principal amount thereof, together with accrued interest to the redemption date, without premium. A portion of the proceeds of the Bonds will be transferred to The Bank of New York Mellon Trust Company, N.A., acting as escrow agent (the "**Escrow Bank**") under an Escrow Agreement dated as of July 1, 2016 (the "**Escrow Agreement**"), by and between the Authority and the Escrow Bank on the closing date for the Bonds. These funds, together with certain amounts held by the trustee for the 2006 Bonds, which will also be transferred to the Escrow Bank, will be sufficient to pay and redeem the 2006 Bonds in full on the Redemption Date. See "MISCELLANEOUS – Verification of Mathematical Computations."

*The moneys held by the Escrow Bank under the Escrow Agreement are pledged to the payment of the 2006 Bonds, and will not be available for the payment of the Bonds or the CFD Bonds.*

## Estimated Sources and Uses of Funds

The sources and uses of funds relating to the Bonds and certain amounts held by the trustee for the 2006 Bonds are anticipated to be as follows:

<u>Sources:</u>	
Principal Amount of the Bonds	\$18,555,000.00
<i>Plus:</i> Original Issue Premium	2,402,759.50
Amounts held by trustee for the 2006 Bonds	5,514,302.74
Total Sources	<u>\$26,472,062.24</u>
<u>Uses:</u>	
Deposit to Escrow Fund <sup>(1)</sup>	\$25,918,441.88
Deposit to Costs of Issuance Fund <sup>(2)</sup>	405,196.61
Underwriter's Discount	148,423.75
Total Uses	<u>\$26,472,062.24</u>

(1) To be used to defease and redeem the 2006 Bonds.

(2) Costs of issuance include fees and expenses of the Trustee, Escrow Bank, Verification Agent, Bond Counsel, Disclosure Counsel and other professionals involved in the offering, printing costs, rating agency costs, premiums for the Policy and the Reserve Surety, and other related costs of issuing the Bonds.

## THE BONDS

*This section provides summaries of the Bonds and certain provisions of the Indenture. See “APPENDIX A – Summary of Certain Provisions of Principal Legal Documents” for a more complete summary of the Indenture. Capitalized terms used but not defined in this section have the meanings given in APPENDIX A.*

### General Provisions

The Bonds will be dated their date of delivery, and will be issued in the aggregate principal amounts set forth on the inside cover page hereof. The Bonds will bear interest from their dated date at the rates per annum set forth on the inside cover page hereof, payable semiannually on each March 1 and September 1, commencing March 1, 2017 (each, an “**Interest Payment Date**”), and will mature in the amounts and on the dates set forth on the inside cover page hereof. The Bonds will be issued in fully registered form in denominations of \$5,000 each or any integral multiple thereof.

Interest calculated on the basis of a 360-day year of twelve 30-day months on the Bonds will be payable on each Interest Payment Date to the person whose name appears on the Bond Register as the Owner of such Bond as of the fifteenth calendar day of the month preceding the month in which such Interest Payment Date occurs, whether or not such day is a Business Day (the “Record Date”) immediately preceding each such Interest Payment Date, such interest to be paid by check of the Trustee mailed on such Interest Payment Date by first class mail, postage prepaid, to the Owner at the address of such Owner as it appears on the Bond Register or by wire transfer to an account in the United States of America made on such Interest Payment Date upon instructions of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds of a Series provided to the Trustee in writing at least 5 Business Days before the Record Date for such Interest Payment Date.

Principal of and premium (if any) on any Bond will be paid upon presentation and surrender of such Bond, at maturity or the prior redemption of such Bond, at the Trust Office of the Trustee.

Each Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (a) it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it will bear interest from such Interest Payment Date; or (b) it is authenticated on or before February 15, 2017, in which event it will bear interest from the Closing Date; provided, however, that if, as of the date of authentication of any Bond, interest on such Bond is in default, such Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on such Bond, or from the Closing Date if no interest has been paid or made available for payment.

### Redemption

**No Optional Redemption.** The Bonds are not subject to redemption prior to maturity at the option of the Authority.

**Mandatory Redemption From Prepayments.** The Bonds are subject to mandatory redemption from Prepayments of the Special Tax by property owners, in whole or in part among maturities as specified by the City and by lot within a maturity, on any Interest Payment Date at

the following respective redemption prices (expressed as percentages of the principal amount of the Bonds to be redeemed), plus accrued interest thereon to the date of redemption:

<u>Redemption Dates</u>	<u>Redemption Price</u>
Interest Payment Dates through September 1, 2021	103%
March 1, 2022 through September 1, 2023	102
March 1, 2024 through September 1, 2025	101
March 1, 2026 and Interest Payment Dates thereafter	100

**Notice of Redemption.** The Trustee on behalf, and at the expense, of the Authority will mail (by first class mail, postage prepaid or by customary electronic process) notice of any redemption to the respective Owners of any Bonds designated for redemption at their respective addresses appearing on the Bond Register, and to the Securities Depositories and to the Municipal Securities Rulemaking Board, at least thirty (30) but not more than sixty (60) days prior to the date fixed for redemption. Neither failure to receive any such notice so mailed nor any defect therein will affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon. Such notice will state the date of the notice, the redemption date, the redemption place and the redemption price and will designate the CUSIP numbers, the Bond numbers and the maturity or maturities (in the event of redemption of all of the Bonds of such maturity or maturities in whole) of the Bonds to be redeemed, and will require that such Bonds be then surrendered at the Trust Office of the Trustee for redemption at the redemption price, giving notice also that further interest on such Bonds will not accrue after the redemption date.

Any such redemption notice may specify that redemption on the specified date will be subject to receipt by the Authority of moneys sufficient to cause such redemption (and will specify the proposed source of such moneys), and neither the Authority nor the Trustee will have any liability to the Owners or any other party as a result of its failure to redeem the Bonds as a result of insufficient moneys.

In addition to the foregoing notice, further notice will be given by the Trustee in said form by first class mail to any Bondowner whose Bond has been called for redemption but who has failed to submit his Bond for payment by the date which is sixty days after the redemption date, but no defect in said further notice nor any failure to give or receive all or any portion of such further notice will in any manner defeat the effectiveness of a call for redemption.

**Rescission of Redemption Notice.** The Authority will have the right to rescind any redemption by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of redemption will be cancelled and annulled if for any reason funds are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation will not constitute an Event of Default hereunder. The Trustee will mail notice of rescission of redemption in the same manner notice of redemption was originally provided.

**Selection of Bonds of a Maturity for Redemption.** Unless otherwise provided under the Indenture, whenever provision is made in the Indenture or in the applicable Supplemental Indenture for the redemption of fewer than all of the Bonds of a maturity, the Trustee will select the Bonds to be redeemed from all Bonds of such maturity not previously called for redemption, by lot in any manner which the Trustee in its sole discretion will deem appropriate and fair. For purposes of such selection, all Bonds will be deemed to be comprised of separate \$5,000 authorized denominations, and such separate authorized denominations will be treated as separate Bonds which may be separately redeemed.

**Partial Redemption of Bonds.** In the event only a portion of any Bond is called for redemption, then upon surrender of such Bond the Authority will execute and the Trustee will authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Bond or Bonds of the same maturity date, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond to be redeemed.

**Effect of Redemption.** From and after the date fixed for redemption, if funds available for the payment of the principal of and interest (and premium, if any) on the Bonds so called for redemption will have been duly provided, such Bonds so called will cease to be entitled to any benefit under the Indenture other than the right to receive payment of the redemption price, and no interest will accrue on such Bonds from and after the redemption date specified in such notice.

**Certification of Independent Financial Consultant.** In connection with any special mandatory redemption of Bonds from prepayments, the Authority will deliver to the Trustee a certificate of an Independent Accountant verifying that, following such special mandatory redemption of Bonds, the principal and interest generated from the remaining CFD Bonds is adequate to make the timely payment of principal and interest due on the Bonds that will remain Outstanding hereunder following such redemption.

### **Book-Entry Only System**

**General.** The Bonds will be 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 actual purchasers of the Bonds (the “Beneficial Owners”) in the denominations set forth above, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants (as defined in this Official Statement) as described in this Official Statement. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. See “APPENDIX G — DTC and the Book-Entry-Only System.”

If the book-entry-only system is no longer used with respect to the Bonds, the Bonds will be registered and transferred in accordance with the Indenture. See “—Registration, Transfer and Exchange of Bonds” below.

**Payments Made to DTC.** While the Bonds are subject to the book-entry system, the principal and interest with respect to a Bond will be paid by the Trustee to DTC, which in turn is obligated to remit such payment to its DTC Participants for subsequent disbursement to Beneficial Owners of the Bonds, as described in “APPENDIX G — DTC and the Book-Entry-Only System.”

### **Registration, Transfer and Exchange of Bonds**

**Bond Register.** The Trustee will keep or cause to be kept at its Trust Office sufficient records for the registration and transfer of the Bonds, which will be the Bond Register and will at all times during regular business hours be open to inspection by the Authority upon reasonable notice; and, upon presentation for such purpose, the Trustee will, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said records, Bonds as provided under the Indenture.

**Transfer of Bonds.** Subject to the book-entry only provisions of the Indenture, any Bond may in accordance with its terms, be transferred, upon the Bond Register, 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 written instrument of transfer in a form approved by the Trustee, duly executed. Whenever any Bond is surrendered for transfer, the Authority will execute and the Trustee will thereupon authenticate and deliver to the transferee a new Bond or Bonds of like Series, tenor, maturity and aggregate principal amount. No Bonds selected for redemption will be subject to transfer, nor will any Bond be subject to transfer during the 15 days prior to the selection of Bonds for redemption.

**Exchange of Bonds.** Bonds may be exchanged at the Trust Office of the Trustee for Bonds of the same Series, tenor and maturity and of other authorized denominations. No Bonds selected for redemption will be subject to exchange, nor will any Bond be subject to exchange during the 15 days prior to the selection of Bonds for redemption. The Owners of the Bonds will be required to pay any tax or other governmental charge required to be paid for any exchange and the Owners of the Bonds will be required to pay the reasonable fees and expenses of the Trustee and Authority in connection with the exchange of any Bonds.

The cost of printing any Bonds and any services rendered or any expenses incurred by the Trustee in connection with any transfer or exchange will be paid by the Authority. However, the Owners of the Bonds will be required to pay any tax or other governmental charge required to be paid for any exchange or registration of transfer and the Owners of the Bonds will be required to pay the reasonable fees and expenses of the Trustee and Authority in connection with the replacement of any mutilated, lost or stolen Bonds.

## DEBT SERVICE SCHEDULES AND COVERAGE

**Debt Service Schedule for the Bonds.** The table below presents a schedule of debt service and debt service coverage for the Bonds, assuming no early redemptions are made. Debt service coverage is based on the Maximum Special Tax combined for both Districts, as shown.

### ROSEVILLE FINANCE AUTHORITY Annual Debt Service Schedule and Projected Coverage for Bonds Highland Reserve North CFD and Woodcreek East CFD Combined

Year Ending Sept. 1	Highland Reserve North Maximum Special Tax <sup>(1)</sup>	Woodcreek East Maximum Special Tax <sup>(1)</sup>	Total Maximum Special Tax	Total Debt Service	Debt Service Coverage (Max Special Tax)
2017	\$2,805,356	\$584,335	\$3,389,691	\$2,327,083.47	1.46
2018	2,805,356	584,335	3,389,691	2,327,000.00	1.46
2019	2,805,356	584,335	3,389,691	2,321,200.00	1.46
2020	2,805,356	584,335	3,389,691	2,318,000.00	1.46
2021	2,805,356	584,335	3,389,691	2,317,200.00	1.46
2022	2,805,356	584,335	3,389,691	2,323,600.00	1.46
2023	2,805,356	584,335	3,389,691	2,326,800.00	1.46
2024	2,805,356	584,335	3,389,691	2,321,800.00	1.46
2025	2,805,356	584,335	3,389,691	2,318,800.00	1.46
2026	2,805,356	584,335	3,389,691	1,027,600.00	3.30
2027	2,805,356	584,335	3,389,691	1,029,600.00	3.29

(1) Fiscal Year 2015-16 Maximum Special Tax per Special Tax Formulas.  
Sources: Underwriter and Willdan Financial Services.

**Debt Service Schedule for the Bonds – Developed Residential Property.** The table below presents a schedule of debt service and debt service coverage for the Bonds based on developed residential property only, and assuming no early redemptions are made. Debt service coverage is based on the combined Maximum Special Tax on developed residential property in both Districts, as shown.

**ROSEVILLE FINANCE AUTHORITY**  
**Annual Debt Service Schedule and Projected Coverage for Bonds**  
**Highland Reserve North CFD and Woodcreek East CFD Combined**  
**(Developed Residential Property Only)**

<b>Year Ending Sept. 1</b>	<b>Highland Reserve North Maximum Special Tax<sup>(1)</sup></b>	<b>Woodcreek East Maximum Special Tax<sup>(1)</sup></b>	<b>Total Maximum Special Tax</b>	<b>Total Debt Service</b>	<b>Debt Service Coverage (Max Special Tax)</b>
2017	\$1,784,600	\$584,335	\$2,368,935	\$2,327,083.47	1.02
2018	1,784,600	584,335	2,368,935	2,327,000.00	1.02
2019	1,784,600	584,335	2,368,935	2,321,200.00	1.02
2020	1,784,600	584,335	2,368,935	2,318,000.00	1.02
2021	1,784,600	584,335	2,368,935	2,317,200.00	1.02
2022	1,784,600	584,335	2,368,935	2,323,600.00	1.02
2023	1,784,600	584,335	2,368,935	2,326,800.00	1.02
2024	1,784,600	584,335	2,368,935	2,321,800.00	1.02
2025	1,784,600	584,335	2,368,935	2,318,800.00	1.02
2026	1,784,600	584,335	2,368,935	1,027,600.00	2.31
2027	1,784,600	584,335	2,368,935	1,029,600.00	2.30

(1) Fiscal Year 2015-16 Maximum Special Tax on developed residential property per Special Tax Formulas.  
Sources: Underwriter and Willdan Financial Services.

## SECURITY FOR THE BONDS AND SOURCES OF PAYMENT THEREFOR

*The Bonds are special obligations of the Authority, payable from and secured by Revenues (as defined herein) of the Authority consisting primarily of payments received by the Authority from the City on the CFD Bonds. Scheduled payments under the CFD Bonds collectively are sufficient to provide the Authority with money to pay the principal of and interest on the Bonds when due. This section provides summaries of the security for the Bonds and certain provisions of the Indenture. See "APPENDIX A – Summary of Certain Provisions of Principal Legal Documents" for a more complete summary of the Indenture. Capitalized terms used but not defined in this section have the meanings given in APPENDIX A.*

### Limited Obligation

In order to secure the payment of the principal of, premium, if any, and interest on the Bonds in accordance with their terms and the provisions of the Indenture, and subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, the Authority pledges all of the Revenues and any other amounts held in any fund or account established pursuant to the Indenture, other than amounts on deposit in the Rebate Fund and Surplus Fund. This pledge constitutes a first pledge of and charge and lien upon such assets for the payment of the Bonds in accordance with their terms and will be valid and binding from and after issuance of the Bonds, without any physical delivery thereof or further act. The pledge is also irrevocable until all of the bonds issued under the Indenture are no longer Outstanding.

Under the Indenture, the Authority transfers in trust, grants a security interest in and assigns to the Trustee, for the benefit of the Owners from time to time of the Bonds all of the Revenues and all of the right, title and interest of the Authority in the CFD Bonds, subject to the terms of the Indenture. The Trustee shall be entitled to and shall collect and receive all of the Revenues, and any Revenues collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and shall forthwith be paid by the Authority to the Trustee. Subject to the provisions of the Indenture, the Trustee also shall be entitled to and shall take all steps, actions and proceedings reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority and all of the obligations of the City under the CFD Bonds.

Each series of CFD Bonds is a limited obligation of the City and secured by an irrevocable pledge of certain revenues of the City, consisting primarily of monies received by the City as payment of special taxes levied against taxable property within each respective District which secures such CFD Bonds. Scheduled payments under the CFD Bonds are sufficient to provide the Authority with money to pay the principal of, premium, if any, and interest on the Bonds when due. *No CFD Bonds issued under one CFD Bond Indenture or the pledge of special taxes to pay such CFD Bonds is cross-collateralized to the CFD Bonds issued under the other CFD Bond Indenture.*

All obligations of the Authority under the Indenture and the Bonds are special obligations of the Authority, payable solely from and secured by Revenues and the amounts in the funds established by the Indenture (except amounts in the Rebate Fund or Surplus Fund). All obligations of the City under each CFD Bond Indenture are not general obligations of the City, but are limited obligations, payable solely from the special taxes and the funds pledged therefor under such CFD Bond Indenture. Neither the faith and credit of the Authority, the City nor of the

State nor any political subdivision thereof is pledged to the payment of the Bonds or CFD Bonds.

Each issue of CFD Bonds is payable solely from and secured solely by the Special Taxes, net of administrative expenses, and the amounts in the Special Tax Fund created with respect to such CFD Bonds (the “**Special Tax Fund**”) under the applicable CFD Bond Indenture. The City is not obligated to advance available surplus funds from the City treasury to cure any deficiency in any Special Tax Fund, provided, however, the City is not prevented, in its sole discretion, from so advancing funds. Moneys in each respective Special Tax Fund are available only for use with respect to the series of CFD Bonds to which such Special Tax Fund relates.

### **Revenues and Flow of Funds**

**Revenues.** The Bonds are secured by a first lien on and pledge of all of the Revenues. The Indenture defines “**Revenues**” as follows:

- (a) all amounts received from the CFD Bonds;
- (b) any proceeds of the Bonds originally deposited with the Trustee and all moneys deposited and held from time to time by the Trustee in the funds and accounts established under the Indenture with respect to the Bonds (other than the Rebate Fund and the Surplus Fund); and
- (c) investment income with respect to any moneys held by the Trustee in the funds and accounts established under the Indenture with respect to the Bonds (other than investment income on moneys held in the Rebate Fund or the Surplus Fund).

**Collection by the Trustee.** The Trustee will collect and receive all of the Revenues, and any Revenues collected or received by the Authority will be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and will forthwith be paid by the Authority to the Trustee. The Trustee also is entitled to and may take all steps, actions and proceedings reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority and all of the obligations of the City under the CFD Bonds.

Under the Indenture, the Trustee is directed to establish, maintain and hold in trust a special fund designated as the “Revenue Fund” and deposit the Revenues, when and as received by the Trustee, therein. All moneys at any time held in the Revenue Fund shall be held in trust for the benefit of the Owners and shall be disbursed, allocated, and applied solely for payment of the Bonds and for any other uses and purposes set forth in the Indenture.

**Application of Revenues.** On each Interest Payment Date and date for redemption of the Bonds, the Trustee will transfer from the Revenue Fund, and deposit into the following respective accounts for the Bonds, the following amounts in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

Interest Account. On each Interest Payment Date and redemption date, the Trustee will deposit in the Interest Account an amount required to cause the aggregate amount on deposit in

the Interest Account to equal the amount of interest becoming due and payable on such Interest Payment Date on all Outstanding Bonds or to be paid on the Bonds being redeemed on such date. No deposit need be made into the Interest Account if the amount contained in such account is at least equal to the interest becoming due and payable upon all Outstanding Bonds on the next succeeding Interest Payment Date or redemption date, as applicable.

All moneys in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it becomes due and payable (including accrued interest on any Bonds redeemed prior to maturity). If the amounts on deposit in the Interest Account on any Interest Payment Date or redemption date are insufficient for any reason to pay the aggregate amount of interest then coming due and payable on the Outstanding Bonds, the Trustee will apply such amounts to the payment of interest on each of the Outstanding Bonds on a pro rata basis.

**Principal Account.** On each Interest Payment Date and redemption date on which the principal of the Bonds will be payable, the Trustee will deposit in the Principal Account an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of, and premium (if any) on, the Bonds coming due and payable on such Interest Payment Date, or required to be redeemed on such date; provided, however, that no amount will be deposited to effect a mandatory special redemption unless the Trustee has first received a certificate of an Independent Accountant certifying that such deposit to effect the redemption of the Bonds will not impair the ability of the Authority to make timely payment of the principal of and interest on the Bonds, assuming for such purposes that the City continues to make timely payments on all CFD Bonds not then in default.

All moneys in the Principal Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds at the maturity thereof or upon any earlier redemption thereof.

***Deficiencies.*** If on any Interest Payment Date or date for redemption the amount on deposit in the Revenue Fund is inadequate to make the transfers described above as a result of a payment default on an issue of CFD Bonds, the Trustee will immediately notify the City of the amount needed to make the required deposits. In the event that within 5 Business Days of delivering such notice the Trustee receives additional payments from the City to cure such shortfall, the Trustee will deposit such amounts to the account designated in writing by the City.

***Deposit into Rebate Fund.*** On each Interest Payment Date after making the transfers described above, upon receipt of a Request of the Authority to do so, the Trustee will transfer from the Revenue Fund to the Rebate Fund for deposit in the accounts in the Rebate Fund the amounts specified in such Request.

***Surplus Fund.*** On September 1 of each year, after making the deposits described above, the Trustee will transfer all amounts remaining on deposit in the Revenue Fund to the Surplus Fund. See “–Surplus Fund” below.

## **Reserve Fund**

Under the Indenture, a Reserve Fund will be established for the benefit of the Authority and the Owners of the Bonds. The Trustee will hold the Reserve Fund in trust as a reserve for the payment of the principal of and interest on the Bonds. The Reserve Requirement for the

Bonds will initially be satisfied by the delivery of the Reserve Surety by AGM to the Trustee on the Closing Date.

The amounts available under the Reserve Surety will be used and withdrawn by the Trustee solely for the purpose of making transfers to the Interest Account and the Principal Account of the Revenue Fund in the event of any deficiency therein. The Trustee will comply with all documentation relating to the Reserve Surety as required to maintain the Reserve Surety in full force and effect and as required to receive payments thereunder if and to the extent required to make any payment when and as required under the Indenture. The Authority will have no obligation to replace the Reserve Surety or to fund the Reserve Fund with cash or any other security if, at any time that the Bonds are Outstanding, amounts are not available under the Reserve Surety.

Pursuant to the Indenture, the Authority, the City (for each District) and the Trustee will agree to comply with certain provisions regarding the repayment of any draws under the Reserve Surety and the payment of all related reasonable expenses incurred by AGM, as the provider of the Reserve Surety. To the extent there is a draw on the Reserve Surety, debt service on the CFD Bonds may be available to repay amounts owed AGM, as the provider of the Reserve Surety, but only up to each District's Proportionate Share. "**Proportionate Share**" means, as of the date of calculation for any issue of the CFD Bonds, the ratio derived by dividing the outstanding principal amount of such CFD Bonds by the aggregate principal amount of all the Outstanding CFD Bonds. Highland Reserve North CFD's initial Proportionate Share is 83.14% and Woodcreek East CFD's initial Proportionate Share is 16.86%. Any reallocation of the Proportionate Share between Highland Reserve North CFD and Woodcreek East CFD is intended to occur only in the event of the optional or extraordinary redemption from prepayments, as applicable, of one or both issuances of the CFD Bonds in accordance with the CFD Bond Indentures. *There is no cross-collateralization of the Reserve Fund; each District will be responsible for repaying draws, if any, on the Reserve Surety up to its Proportionate Share.*

See APPENDIX A for a further description of the Reserve Fund and the Reserve Surety.

### **Surplus Fund**

Any amounts transferred to the Surplus Fund will no longer be considered Revenues and are not pledged to repay the Bonds. So long as the CFD Bonds are outstanding, on September 3 of each year, after setting aside any amount specified in a Request of the Authority as necessary to pay Administrative Expenses, any moneys remaining in the Surplus Fund shall be transferred by the Trustee as follows: for each CFD Bond, the Authority shall compute the Surplus Fund Credit Amount and the Authority shall direct the Trustee to transfer to the CFD Bonds Trustee for each CFD Bond the respective CFD Bond's Surplus Fund Credit Amount for deposit into the Redemption Account of the Special Tax Fund created by the applicable CFD Bond Indenture, for payment of debt service on each such respective CFD Bond.

### **Additional Bonds and CFD Bonds for Refunding Purposes Only**

**Additional Bonds.** The Authority may issue additional bonds, notes or other indebtedness ("**Additional Bonds**") secured on parity with the Bonds, in such principal amount as determined by the Authority, pursuant to a Supplemental Indenture adopted or entered into by the Authority, so long as the Additional Bonds are issued for the purpose of refunding all or a portion of the Bonds to realize savings associated with interest costs on the Bonds.

***Additional CFD Bonds.*** Under each CFD Bond Indenture and as to each District, the City may by Supplemental Indenture establish one or more additional series of bonds secured under the applicable CFD Bond Indenture, equally and ratably with CFD Bonds previously issued ("**Parity Bonds**"), so long as the Parity Bonds are issued for the purpose of refunding all or a portion of the CFD Bonds or any Parity Bonds then outstanding. See "APPENDIX A – Summary of Certain Provisions of Principal Legal Documents" for certain additional conditions to issuing Parity Bonds under the CFD Bond Indentures.

## SECURITY FOR THE CFD BONDS

*The provisions of the Highland Reserve North CFD Bond Indenture and the Woodcreek East CFD Bond Indenture (each a “CFD Bond Indenture”) with respect to security and sources of payment for the Highland Reserve North CFD Bonds and the Woodcreek East CFD Bonds are substantially identical, and will be described together in this section except as otherwise set forth below.*

*This section contains only a brief description of those provisions of each CFD Bond Indenture. See “APPENDIX A – Summary of Certain Provisions of Principal Legal Documents” for a more complete summary of the CFD Bond Indentures. Capitalized terms used but not defined in this section have the meanings given in APPENDIX A.*

### Limited Obligation

The CFD Bonds constitute a limited obligation of the City that is secured by a first lien on and pledge of, and is payable solely from, Special Tax Revenues (defined below) collected in each respective District and amounts deposited by the City in each Special Tax Fund. The City’s limited obligation to pay the principal of and interest on the CFD Bonds from Special Tax Revenues collected in each respective District and amounts in each Special Tax Fund is absolute and unconditional.

The CFD Bonds do not constitute a legal or equitable pledge, charge, lien or encumbrance upon the respective District’s or City’s property, or upon any of its income, receipts or revenues, except the Special Tax Revenues collected in the respective District and other amounts in the respective Special Tax Fund.

**Except for the Special Tax Revenues for each District, neither the credit nor the taxing power of the City is pledged for the payment of the CFD Bonds or related interest, and no Owner of the Bonds may compel the exercise of taxing power by the City or the forfeiture of any of its property. The principal of and interest on the CFD Bonds are not a debt of the City, the State or any of its political subdivisions within the meaning of any constitutional or statutory limitation or restriction.**

### Special Tax Revenues; Flow of Funds

**Special Tax Revenues.** The “**Special Taxes**” for each District are levied and collected according to the Special Tax Formula for that respective District. See “– Special Tax Methodology,” and APPENDIX C-1 and APPENDIX C-2.

The “**Special Tax Revenues**” pledged by the City to the CFD Bonds is defined in each CFD Bond Indenture as 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.

**Allocation of Special Taxes.** Except for the portion of any prepayment of Special Taxes to be deposited into the Redemption Account established under the applicable CFD Bond Indenture, the Trustee under each CFD Bond Indenture will, on each date on which the Special Taxes are received from the District, deposit the Special Taxes in the Special Tax Fund to be held in trust for the owners of the respective CFD Bonds. The City will transfer the Special

Taxes on deposit in the Special Tax Fund on the dates and in the amounts, in the following order of priority, to:

- (1) The Interest Account of the Special Tax Fund;
- (2) The Principal Account of the Special Tax Fund;
- (3) The Redemption Account of the Special Tax Fund;
- (4) The Authority Trustee, the amount needed to repay a draw on the Reserve Surety up to each District's Proportionate Share;
- (5) The Administrative Expense Account of the Special Tax Fund; and
- (6) The Surplus Fund.

The Special Tax is collected in the manner and at the same time as ad valorem property taxes are collected and is subject to the same penalties and the same procedure, sale, and lien priority in case of delinquency as is provided for *ad valorem* property taxes.

*Neither issue of CFD Bonds is secured by Special Taxes from the other CFD; the Highland Reserve North CFD Special Taxes are available only to pay debt service on the Highland Reserve North CFD Bonds and the Woodcreek East CFD Special Taxes are available only to pay debt service on the Woodcreek East CFD Bonds.*

**Parity CFD Bonds.** In each CFD Bond Indenture, the City covenants that it will not issue additional bonds secured by Special Tax Revenues on a parity with the applicable CFD Bonds, however any such limitation does not prevent the City from issuing such bonds for the purpose of refunding all or a portion of the related CFD Bonds (or bonds previously issued for that purpose).

**Priority of Lien.** Each installment of the Special Taxes and any interest and penalties thereon, constitutes a lien on the parcel of land on which it was imposed until the same is paid. Such lien is co-equal to and independent of the lien for general taxes, any other community facilities district special taxes and special assessment liens. See "THE COMMUNITY FACILITIES DISTRICTS— Overlapping Liens" herein.

### **Covenants of the City**

In each CFD Bond Indenture, the City covenants as follows, among other things:

**Punctual Payment.** It will duly and punctually pay or cause to be paid the principal of and interest on the applicable CFD Bond (and any related Parity Bond) issued under the CFD Bond Indenture, together with the premium, if any to the extent that Special Tax Revenues and other amounts pledged under the CFD Bond Indenture are available therefor.

**Against Encumbrance.** It will not mortgage or otherwise encumber, pledge or place any charge upon any of the Special Tax Revenues except as provided in the applicable CFD Bond Indenture, and will not issue any obligation or security having a lien or charge upon the Special Tax Revenues superior to or on a parity with the related CFD Bonds. Nothing in the CFD Bond Indentures prevents the City from issuing or incurring indebtedness which is payable from a pledge of Special Tax Revenues which is subordinate in all respects to the pledge of Special Tax Revenues to repay the related CFD Bond, nor prevents the City from issuing refunding bonds.

**Levy of Special Tax.** The City shall comply with all requirements of the Act so as to assure the timely collection of Special Taxes, including without limitation, the enforcement of delinquent Special Taxes.

(i) Processing. On or within five (5) Business Days of each June 1, the CFD Bonds Trustee shall provide the Administrative Service Director with a notice stating the amount then on deposit in the Special Tax Fund and the other funds and accounts held by the CFD Bonds Trustee under the CFD Bond Indenture, whether or not amounts need to be deposited into the Reserve Fund to increase the amounts on deposit therein to the Reserve Requirement, and informing the City that the Special Taxes need to be levied under the Ordinance as necessary to provide for the Special Tax Requirement (as defined below). The receipt of or failure to receive such notice by the Administrative Service Director shall in no way affect the obligations of the Administrative Service Director under the following two paragraphs and the CFD Bonds Trustee shall not be liable for failure to provide such notice to the Administrative Service Director. Upon receipt of such notice, the Administrative Service Director shall communicate with the Auditor to ascertain the relevant parcels on which the Special Taxes are to be levied, taking into account any parcel splits or combinations during the preceding and then current year.

(ii) Levy. The Administrative Service Director shall effect the levy of the Special Taxes each Fiscal Year in accordance with the Ordinance by each August 1 that the CFD Bonds are outstanding, or otherwise such that the computation of the levy is complete before the final date on which Auditor will accept the transmission of the Special Tax amounts for the parcels within the District for inclusion on the next real property tax roll. Upon the completion of the computation of the amounts of the levy, the Administrative Service Director shall prepare or cause to be prepared, and shall transmit to the Auditor, such data as the Auditor requires to include the levy of the Special Taxes on the next real property tax roll.

(iii) Computation. The Administrative Service Director shall fix and levy the amount of Special Taxes within the District in an amount sufficient, together with other amounts on deposit in the Special Tax Fund and available for such purpose, to pay (A) the principal of and interest on the CFD Bonds and any Parity Bonds when due, (B) the Administrative Expenses, including amounts necessary to discharge any rebate obligation, during such year and (C) any amounts required to replenish the Reserve Fund to the Reserve Requirement (the "**Special Tax Requirement**"), taking into account the balances in such funds and in the Special Tax Fund. The Special Taxes so levied shall not exceed the authorized amounts as provided in the proceedings under the Resolution of Formation.

(iv) Collection. The Special Taxes shall be payable and be collected in the same manner and at the same time and in the same installment as the general taxes on real property are payable, and have the same priority, become delinquent at the same time and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the ad valorem taxes on real property.

**Commence Foreclosure Proceedings.** Under the Act, the City covenants with and for the benefit of the owners of the CFD Bonds that it will order, and cause to be commenced as hereinafter provided, and thereafter diligently prosecute to judgment (unless such delinquency is theretofore brought current), an action in the superior court to foreclose the lien of any Special

Tax or installment thereof not paid when due as provided in the following two paragraphs. The Finance Director shall notify the City Attorney of any such delinquency of which the Finance Director is aware, and the City Attorney shall commence, or cause to be commenced, such proceedings.

On or about March 30 and June 30 of each Fiscal Year, the Finance Director shall compare the amount of Special Taxes theretofore levied in the CFD to the amount of Special Tax Revenues theretofore received by the City, and:

(i) Individual Delinquencies. So long as the District does not participate in the Alternative Method of Distribution of Tax Levies and Collections described in Revenue & Taxation Code Section 4701 et seq., or an equivalent procedure, if the Finance Director determines that any single parcel subject to the Special Tax in the District is delinquent in the payment of Special Taxes in the aggregate amount of \$3,000 or more, then the Finance Director shall send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner within 60 days of such determination, and (if the delinquency remains uncured) foreclosure proceedings shall be commenced by the City within 120 days of such determination.

(ii) Aggregate Delinquencies. So long as the District does not participate in the Alternative Method of Distribution of Tax Levies and Collections described in Revenue & Taxation Code Section 4701 et seq., or an equivalent procedure, if the Finance Director determines that the total amount of delinquent Special Tax for the prior Fiscal Year for the entire District, (including the total of delinquencies under subsection (i) above), exceeds 5% of the total Special Tax due and payable for the prior Fiscal Year, the City shall notify or cause to be notified property owners who are then delinquent in the payment of Special Taxes (and demand immediate payment of the delinquency) within 60 days of such determination, and shall commence foreclosure proceedings within 120 days of such determination against each parcel of land in the CFD with a Special Tax delinquency.

### **Special Tax Methodology**

The Special Tax authorized under the Act applicable to land within each 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 respective Special Tax Formulas set forth in APPENDIX C-1 and APPENDIX C-2. The following paragraphs in this section summarize certain provisions of the Special Tax Formula for each District. Capitalized terms set forth in this section and not otherwise defined have the meanings set forth in the respective Special Tax Formula.

**Highland Reserve North CFD.** The Highland Reserve North CFD Special Taxes are levied in accordance with the Special Tax Formula for Highland Reserve North CFD, which is set forth in APPENDIX C-1 and summarized as follows.

Annual Levy. Each year, the City will determine the Annual Costs of the District for the upcoming fiscal year. The Annual Costs include the following items (i) debt service on the Bonds; (ii) replenishment of the Reserve Fund; (iii) anticipated Special Tax delinquencies; (iv) administration of the District; and (v) at the discretion of the City, reimbursements to the landowners or others for expenditures for costs of the Improvements not funded from Bond proceeds. The Annual Costs are the basis of the

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

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

Assignment of Maximum Special Tax. The Special Tax Formula describes in detail the precise method for assigning the Maximum Special Tax to parcels within the District, which generally provides that each year the Administrator will use the definitions contained in the Special Tax Formula to classify each parcel as tax-exempt or taxable. The Special Tax Formula assigns a total maximum tax to the existing Original Parcels and then reallocates the tax to Successor Parcels based on pro rata share of net developable area. If a parcel is subdivided into single-family residential lots, the Maximum Special Tax is divided equally among the subdivided lots.

Termination of the Special Tax. The Special Tax will be levied and collected for as long as needed to pay the principal and interest on the Bonds and other costs incurred in order to construct the Improvements and to pay the Annual Costs. The Special Tax Formula provides that the Special Tax may not be levied on any parcel in the District after fiscal Year 2034-35. When all Annual Costs incurred by the District have been paid, the Special Tax will cease to be levied.

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

- The Parcel is a whole Original Parcel greater than one acre or a Successor Parcel greater than ten acres.
- The City determines that the Prepayment of the Special Tax does not jeopardize its ability to make timely payments of debt service on outstanding Bonds.
- Any landowner prepaying the Special Tax must pay any and all delinquent Special Taxes and penalties for the prepaying Parcel.
- Prior to the calculation of the Prepayment amount, the landowner must notify the City whether such landowner intends to execute a full Prepayment or Partial Prepayment. If the landowner intends to execute a Partial Prepayment, the landowner shall further notify the City of the dollar amount of the intended Prepayment. In no event shall a Partial Prepayment be for less than twenty-five percent (25%) of the full Prepayment amount.

The Prepayment amount shall be established by following the procedures described in the Special Tax Formula. Once Bonds are sold, parcels wishing to prepay must prepay their share of outstanding Bonds; parcels wishing to prepay prior to the sale of Bonds may pay the allocated amount of anticipated construction proceeds plus any costs incurred by the City in the formation of the District and the calculation or application of the Prepayment proceeds.

For the complete text of the Special Tax Formula for Highland Reserve North CFD, see APPENDIX C-1.

**Woodcreek East CFD.** The Woodcreek East CFD Special Taxes are levied in accordance with the Special Tax Formula for Woodcreek East CFD, which is set forth in APPENDIX C-2 and summarized as follows.

Annual Levy. Each year, the City will determine the Annual Costs of the District for the upcoming fiscal year. The "Annual Costs" include the following items (i) debt service on the Bonds; (ii) Administrative Expenses and County fees; (iii) delinquencies in Special Taxes for the previous Fiscal Year or anticipated for the current year; (iv) amounts needed to replenish the Reserve Fund and to pay for delinquencies in Special Taxes for the previous Fiscal Year or anticipated for the current year; and (v) pay-as-you-go expenditures for authorized Improvements. The Developer does not presently contemplate utilizing the pay-as-you-go component of the Special Tax Formula, however the mechanism 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 the Developer's other available sources of funds. The Annual Costs are the basis for the amount of Special Tax to be levied within the District. In no event may the City levy a Special Tax in any year above the Maximum Special Tax identified for each parcel in the Special Tax Formula.

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

Assignment of Maximum Special Tax. The Special Tax Formula describes in detail the precise method for assigning the Maximum Special Tax to parcels within the District, which generally provides that each year the City will use the definitions contained in the Special Tax Formula to classify each parcel as tax-exempt or taxable. The Special Tax Formula assigns a total maximum tax to the existing Original Parcels (as defined in the Special Tax Formula) and then reallocates the tax to Successor Parcels (as defined in the Special Tax Formula) based on pro rata share of net developable area. The Developer initially contemplated subdividing the property into seven "large lot" parcels, which were then further subdivided into the contemplated 350 residential lots. Upon creation of the 350 single family residential lots, the annual Maximum Special Tax for the District was expected to be (and, in fact, is) \$584,335, or \$1,669.53 per lot.

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

and to pay the Annual Costs. The Special Tax Formula provides that the Special Tax may not be levied on any parcel in the District after fiscal Year 2035-36. When all Annual Costs incurred by the District have been paid, the Special Tax will cease to be levied.

Prepayment of the Special Tax. The Special Tax Formula provides that landowners may permanently satisfy all or a portion of the Special Tax by a cash settlement with the City, pursuant to specific conditions, including a determination by the City that the prepayment of the Special Tax obligation does not jeopardize its ability to make timely payments of debt service on Outstanding Bonds. The amount of a Full Prepayment or a Partial Prepayment (as defined in the Special Tax Formula) is calculated according to the methodology set forth in the Special Tax Formula, and is based on determining a "Benefit Share" of anticipated costs relating to the Outstanding Bonds, fees, call premiums, and expenses incurred by the City, less a "Reserve Fund Share", as defined in the Special Tax Formula.

For the complete text of the Special Tax Formula for Woodcreek East CFD, see APPENDIX C-2.

**Priority of Lien.** The principal of and interest on the CFD Bonds are payable from the Special Tax authorized to be collected within each respective District, and payment of the Special Tax is secured by a lien on certain real property within such 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 such District.

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

Parcels in the Districts are subject to a bonded special tax lien and non-bonded special taxes and assessments for services. See "THE DISTRICTS" and APPENDIX D-1 and APPENDIX D-2.

**Limited Obligation Upon Delinquency.** ALL OBLIGATIONS OF THE AUTHORITY UNDER THE INDENTURE AND THE BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM AND SECURED BY THE REVENUES AND THE AMOUNTS IN THE REVENUE FUND AND OTHER FUNDS PLEDGED THEREFOR UNDER THE INDENTURE. EACH ISSUE OF CFD BONDS ARE LIMITED OBLIGATION BONDS UNDER THE ACT AND ARE PAYABLE SOLELY FROM AND ARE SECURED SOLELY BY THE SPECIAL TAXES AND THE AMOUNTS IN THE SPECIAL TAX FUND AND OTHER FUNDS PLEDGED THEREFOR UNDER THE APPLICABLE CFD BOND INDENTURE.

The Authority and the City have no obligation to advance monies to pay bond debt service in the event of delinquent special taxes. Bondowners should not rely upon the City to

advance monies to the Special Tax Fund. Notwithstanding the foregoing, the City may, at its sole option and in its sole discretion elect to advance available surplus funds of the City to pay for any delinquent Special Taxes pending sale, reinstatement, or redemption of any delinquent property.

## THE DISTRICTS

### Introduction

Set forth in this section is certain information describing the Districts on a combined basis. Information on each District is shown on a separate basis in APPENDIX D-1 and APPENDIX D-2. Although the Authority believes the information with respect to the Districts in the aggregate is relevant to an informed decision to purchase the Bonds, investors should be aware that the **debt service on one issue of CFD Bonds may not be used to make up any shortfall in the debt service on the other issue of CFD Bonds.** Moreover, the parcels in each of the Districts are taxed according to that respective District's specific Special Tax Formula. The Special Tax Formula for Highland Reserve North CFD is set forth in Appendix C-1 and the Special Tax Formula for Woodcreek East CFD is set forth in Appendix C-2.

Furthermore, potential investors should be aware that Special Taxes are levied against individual parcels within each District, therefore any individual parcel in a District may have a value-to-lien ratio which is less than the overall value-to-lien for such District, or less than the value-to-lien of both Districts on a combined basis. In particular, an individual parcel which is undeveloped may have a value-to-lien ratio of less than 1 to 1. See "SECURITY FOR THE BONDS AND SOURCES OF PAYMENT THEREFOR."

Property in the Districts is comprised predominantly of single-family residential homes (this is the only type of taxable property within Woodcreek East CFD). To a lesser extent, and solely with respect to Highland Reserve North CFD, taxable properties include condominium uses and commercial uses. Only 5 taxable properties, all of which are located within Highland Reserve North CFD, out of a total of 1,837 in the Districts on a combined basis, remain undeveloped. See APPENDIX D-1 and APPENDIX D-2 for additional details.

***Unpaid Special Taxes do not constitute a personal indebtedness of the owners of the parcels within the Districts and the owners have made no commitment to pay the principal of or interest on the CFD Bonds or the Bonds or to support payment of the CFD Bonds or the Bonds in any manner. There is no assurance that the owners have the ability to pay the special taxes or that, even if they have the ability, they will choose to pay such taxes. An owner may elect to not pay the special taxes when due and cannot be legally compelled to do so. Neither the City nor any Bondholder will have the ability at any time to seek payment from the owners of property within the Districts of any special tax or any principal or interest due on the CFD Bonds or the Bonds, or the ability to control who becomes a subsequent owner of any property within the Districts.***

### Description of the Districts

Highland Reserve North CFD contains 1,487 taxable parcels and is located on the northeastern perimeter of the City. Highland Reserve North CFD has been almost fully developed, with only 5 out of 1,487 parcels remaining undeveloped; the remaining parcels in Highland Reserve North CFD have developed into 1,018 single-family residential parcels, 408 condominium parcels, and 56 commercial parcels. Each of the 5 remaining undeveloped

parcels is expected to be developed into a commercial parcel. Highland Reserve North CFD is located east of Highway 65, south of Blue Oaks Boulevard and adjacent to the Rocklin city limits in an area of the City that has experienced significant new development in the last 10-15 years. For more information on Highland Reserve North CFD, see APPENDIX D-1.

Woodcreek East CFD is fully developed and consists of 350 single-family units on approximately 181 gross acres and is located in the northwestern portion of the City. Woodcreek East CFD is bounded by the city-limits of the City to the north, Woodcreek Oaks Boulevard to the west and generally bounded by Blue Oaks Boulevard to the south and Foothills Boulevard to the east. For more information on Woodcreek East CFD, see APPENDIX D-2.

### **Assessed Values on a Combined Basis**

**Property Values.** The value of the land within the Districts is a critical factor in determining the investment quality of the Bonds. If a property owner defaults in the payment of a Special Tax, the City's only remedy is to foreclose on the delinquent property in an attempt to obtain funds with which to pay the delinquent Special Taxes. See "SECURITY FOR THE CFD BONDS – Covenants of the City" and "RISK FACTORS - Bankruptcy Delays." Reductions in District property values due to a downturn in the economy, natural disasters such as earthquakes or floods, stricter land use regulations or other events could have an adverse impact on the security for payment of the Special Taxes, which in turn could have an adverse impact on the security for payment of the Bonds.

The Special Tax is levied on each taxable parcel within the Districts and only the respective individual parcel is responsible for such Special Tax. In comparing the aggregate value of the taxable property within the Districts and the principal amount of the Bonds, it should be noted that only the Assessor's parcel of real property upon which there is a delinquent Special Tax can be foreclosed upon. All of the taxable property within the Districts cannot be foreclosed upon as a whole to pay delinquent Special Taxes unless all of the property is subject to delinquent Special Taxes. Individual parcels may be foreclosed upon to pay delinquent Special Taxes levied against such parcels only. See "SECURITY FOR THE CFD BONDS" and "RISK FACTORS."

The principal amount of the CFD Bonds is not allocated pro-rata among the parcels within the Districts; rather, the annual Special Taxes for the Districts are billed annually for each taxable parcel within the Districts in accordance with the applicable Special Tax Formula. Upon sale of developed parcels, the buyer typically acquires the property subject to the unpaid portion of any general taxes and special taxes levied against the parcel purchased. General taxes and special taxes are not required to be removed from the property and are not required to be, but may be, paid off in full upon transfer of property or upon development of the property.

**Assessed Value.** Article XIII A of the California Constitution (Proposition 13) defines "full cash value" to mean "the county assessor's valuation of real property as shown on the 1975-76 bill under 'full cash value', or, thereafter, the appraised value of real property when purchased or newly constructed or when a change in ownership has occurred after the 1975 assessment," subject to exemptions in certain circumstances of property transfer or reconstruction. The "full cash value" is subject to annual adjustment to reflect increases, not to exceed 2 percent for any year, or decreases in the consumer price index or comparable local data, or to reflect reductions in property value caused by damage, destruction or other factors.

Because of the general limitation to 2 percent per year in increases in full cash value of properties which remain in the same ownership, the county tax roll does not reflect values uniformly proportional to actual market values. No assurance can be given that should a parcel with delinquent Special Taxes be foreclosed and sold for the amount of the delinquency, that any bid will be received for such property, or if a bid is received that such bid will be sufficient to pay such delinquent installments.

**2015-16 Assessed Values on Combined Basis.** The City has obtained the “full cash” assessed values of all of the taxable parcels in Highland Reserve North CFD and Woodcreek East CFD, as established by the County Assessor for Fiscal Year 2015-16 (herein, the “Assessed Valuation”). The estimated total Assessed Valuation of the taxable parcels in the Highland Reserve North CFD (1,487 parcels) is \$730,734,138 and the estimated total Assessed Valuation of the taxable parcels in the Woodcreek East CFD (350 parcels) is \$161,707,628, for a combined total valuation (1,837 parcels) of \$892,441,766, as summarized in the table below.

**Historical Assessed Valuations.** The table below shows a five-year history of assessed valuations of the property that was levied a Special Tax in each Fiscal Year in the Districts on a combined basis.

**ROSEVILLE FINANCE AUTHORITY  
Historical Assessed Valuation – The Districts in Aggregate**

Fiscal Year	No. of Parcels	Total Assessed Value	% Change in Total Assessed Value
2011-12	1,836	\$725,133,180	--
2012-13	1,837	717,513,429	(1.1)%
2013-14	1,837	756,585,439	5.4
2014-15	1,837	841,067,143	11.2
2015-16	1,837	892,441,766	6.1

*Source: Placer County, as compiled by Willdan Financial Services.*

**Value-to-Lien Ratios on a Combined Basis**

**Direct Debt Value to Lien Ratios.** The aggregate Assessed Valuation of taxable property in the Districts is \$892,441,766 (consisting solely of assessed land value and structure value), which is approximately 36 times the \$24,840,000 aggregate principal amount of the CFD Bonds (not including overlapping debt) outstanding as of September 30, 2015. The aggregate Assessed Valuation of taxable property in the Highland Reserve North CFD is \$730,734,138 (consisting solely of assessed land value and structure value), which is approximately 33 times the \$20,651,000 aggregate principal amount of the Highland Reserve North CFD Bonds (not including overlapping debt) outstanding as of September 30, 2015. The aggregate Assessed Valuation of taxable property in the Woodcreek East CFD is \$161,707,628 (consisting solely of assessed land value and structure value), which is approximately 39 times the \$4,189,000 aggregate principal amount of the Woodcreek East CFD Bonds (not including overlapping debt) outstanding as of September 30, 2015.

**Overlapping Debt Value to Lien Ratios.** The aggregate Assessed Valuation of taxable property in the Districts is \$900,125,076 (consisting of assessed land value and structure value, as well as other property assessed through the County secured property tax roll), which is approximately 31 times the \$28,865,918 total direct and overlapping debt in the Districts as of April 1, 2016. The aggregate Assessed Valuation of taxable property in the Highland Reserve

North CFD is \$738,417,448 (consisting of assessed land value and structure value, as well as other property assessed through the County secured property tax roll), which is approximately 31 times the \$23,954,324 total direct and overlapping debt in the Highland Reserve North CFD as of April 1, 2016. The aggregate Assessed Valuation of taxable property in the Woodcreek East CFD is \$161,707,628 (consisting of assessed land value and structure value, as well as other property assessed through the County secured property tax roll), which is approximately 33 times the \$4,911,594 total direct and overlapping debt in the Woodcreek East CFD as of April 1, 2016. For additional information on overlapping debt within each District, see APPENDIX D-1 and APPENDIX D-2.

The following tables set forth the assessed value-to-lien ratios for the Districts on a combined basis, based upon Assessed Valuation of taxable property and the principal amounts of the CFD Bonds, and direct and overlapping debt. Potential investors should note that the Special Taxes levied and collected in one District secure only the issue of CFD Bonds issued on behalf of such District and additional Special Taxes cannot be levied in one District to compensate for nonpayment of Special Taxes in the other District.

For value-to-lien ratios for property in each of the Districts shown on a separate basis, see APPENDIX D-1 and APPENDIX D-2.

**Value-to-Lien Ratios by Range.** The following table summarizes the combined value-to-lien ratios of all property in the Districts against the CFD Bonds, by value-to-lien ratio ranges. For value-to-lien ratios by range shown on a separate basis for each District, see APPENDIX D-1 and APPENDIX D-2.

**ROSEVILLE FINANCE AUTHORITY**  
**Summary Value to Lien Ratios by Range – The Districts Combined**

<b>Value to Lien Ratio</b>	<b>No. of Parcels</b>	<b>Total 2015-16 Assessed Value<sup>(1)</sup></b>	<b>Total 2015-16 Special Tax</b>	<b>Direct Bonded Debt<sup>(2)</sup></b>	<b>Overlapping Debt</b>	<b>Total Direct &amp; Overlapping Debt</b>	<b>Value to Direct &amp; Overlapping Debt</b>
Greater than 50	2	\$757,964	\$1,403	\$10,914	\$3,394	\$14,307	52.98
40:1 to 49.99	164	97,452,872	229,998	1,815,809	436,323	2,252,131	43.27
30:1 to 39.99	1,145	522,420,861	1,632,511	12,935,822	2,337,038	15,272,859	34.21
20:1 to 29.99	504	259,239,313	1,111,340	8,738,614	1,158,986	9,897,600	26.19
10:1 to 19.99	16	18,044,577	125,655	978,577	80,286	1,058,863	17.04
5:1 to 9.99	5	1,865,297	33,428	261,081	8,351	269,433	6.92
3:1 to 4.99	1	344,192	12,749	99,183	1,541	100,724	3.42
<b>Total</b>	<b>1,837</b>	<b>\$900,125,076</b>	<b>\$3,147,083</b>	<b>\$24,840,000</b>	<b>\$4,025,919</b>	<b>\$28,865,918</b>	<b>31.18</b>

(1) In addition to assessed land and structure values, the total assessed value displayed includes other property assessed through the county secured property tax roll. According to the Placer County Assessor, this total assessed value includes \$7,683,310 in fixed improvements and personal property.

(2) Bonded Debt is based upon each District parcel's proportionate share of the District's Annual Maximum Tax times the principal balance of the District's CFD Bonds as of September 30, 2015.

Source: Direct and Overlapping Tax and Assessment Debt as of April 1, 2016, as compiled by California Municipal Statistics Inc.; Willdan Financial Services.

**Value-to-Lien Ratios by Development Category.** The following table summarizes the combined value-to-lien ratios of all property in the Districts against the CFD Bonds, displayed on a development category basis. For value-to-lien ratios by development category for property in each of the Districts shown on a separate basis, see APPENDIX D-1 and APPENDIX D-2.

**ROSEVILLE FINANCE AUTHORITY**  
**Value to Lien Ratios by Development Category – The Districts Combined**

Development Category <sup>(1), (2)</sup>	No. of Parcels Levied	2015-16 Assessed Values			CFD Bonded Debt <sup>(3)</sup>	% of Bonded Debt	Value to Lien
		Land	Structure	Total			
<u>SF Residential:</u>							
Developed	1,368	\$148,550,457	\$428,939,461	\$577,489,918	\$15,048,170	60.58%	38.38
<u>Condo:</u>							
Developed	408	19,722,805	70,215,602	89,938,407	2,277,763	9.17	39.49
<u>Commercial</u>							
Developed	56	64,019,679	158,896,871	222,916,550	7,165,774	28.85	31.11
Undeveloped	5	2,096,891		2,096,891	348,294	1.40	6.02
<b>Total</b>	<b>1,837</b>			<b>\$892,441,766</b>	<b>\$24,840,000</b>	<b>100.00%</b>	<b>35.93</b>

- (1) A parcel is reported as Developed if the parcel shows either a structure value on the FY 2015-16 Placer County Secured Roll or construction is "Completed" according to the City of Roseville.
- (2) A parcel is reported as Under Construction if the parcel is denoted as "Under Construction" according to the City of Roseville and the parcel shows no improvement value on the FY 2015-16 Placer County Secured Roll. A taxable parcel that is neither Developed nor Under Construction is considered Undeveloped.
- (3) Bonded Debt is based upon each parcel's proportionate share of the District's Annual Maximum Tax times the principal balance of the District's CFD Bonds as of September 30, 2015.

Source: Assessed Values - Placer County 2015-16 Secured Property Roll, as compiled by Willdan Financial Services.

**Value-to-Lien Ratios for Top Ten Taxpayers.** The following table summarizes the combined value-to-lien ratios of the top ten taxpayers of property in the Districts against the CFD Bonds. For value-to-lien ratios for the top ten taxpayers of property in each of the Districts shown on a separate basis, see APPENDIX D-1 and APPENDIX D-2.

**ROSEVILLE FINANCE AUTHORITY**  
**Assessed Values and Value-to-Lien Ratios for Top Ten Taxpayers – The Districts Combined**

Property Owner	No. of Parcels	2015-16 Assessed Values			Maximum Tax	CFD Bonded Debt <sup>(1)</sup>	% of Bonded Debt	Value to Lien
		Land	Structure	Total				
Excel Highland Reserve LLC	7	\$10,225,381	\$27,989,572	\$38,214,953	\$137,336	\$1,010,970	4.07%	37.80
Blue Oaks Fairway LLC	10	6,232,057	18,340,778	24,572,835	118,810	874,595	3.52	28.10
Target Corporation	2	6,977,820	13,075,269	20,053,089	111,202	818,588	3.30	24.50
MGP IX Properties LLC	7	7,838,260	16,490,159	24,328,419	101,838	749,658	3.02	32.45
Lowe's HIW Inc.	1	6,243,100	10,341,900	16,585,000	98,041	721,704	2.91	22.98
Winco Foods LLC	1	4,117,900	8,157,100	12,275,000	76,965	566,564	2.28	21.67
Eureka Development Company	6	5,137,812	13,572,993	18,710,805	65,533	482,409	1.94	38.79
Conrad Urata 4 LLC	4	2,710,091	4,641,483	7,351,574	38,861	286,068	1.15	25.70
Patterson Stephen C & Virginia, Trustees	1	2,037,387	3,758,684	5,796,071	36,468	268,454	1.08	21.59
Fairway Creek LLC	3	805,600	6,474,400	7,280,000	29,741	218,933	0.88	33.25
<b>Total Top Ten Property Owners</b>	<b>42</b>	<b>52,325,408</b>	<b>122,842,338</b>	<b>175,167,746</b>	<b>814,795</b>	<b>5,997,943</b>	<b>24.15</b>	<b>29.20</b>
All Other Property Owners	1,795	182,064,424	535,209,596	717,274,020	2,574,896	18,842,057	75.85	38.07
<b>Total</b>	<b>1,837</b>	<b>\$234,389,832</b>	<b>\$658,051,934</b>	<b>\$892,441,766</b>	<b>\$3,389,691</b>	<b>\$24,840,000</b>	<b>100.00%</b>	<b>35.93</b>

(1) Bonded Debt is based upon each parcel's proportionate share of the District's Annual Maximum Tax times the principal balance of the CFD Bonds as of September 30, 2015.  
Source: Assessed Values – Placer County 2015-16 Secured Property Roll, as compiled by Willdan Financial Services.

## Delinquencies on a Combined Basis

The following table summarizes the historical collection and delinquency information of property in the Districts, on a combined basis, for 2011-12 through 2015-16 (1st installment). For historical collection and delinquency information on each of the Districts on a separate basis, see APPENDIX D-1 and APPENDIX D-2.

### ROSEVILLE FINANCE AUTHORITY Special Tax Levies, Delinquencies and Delinquency Rates – The Districts Combined Fiscal Years 2011-12 to 2015-2016 (1st Installment)

Fiscal Year	Annual Special Taxes Levied	No. of Parcels Levied	As of Each Fiscal Year End <sup>(1)</sup>				As of January 28, 2016			
			Amount Collected	Amount Delinquent <sup>(2)</sup>	No. of Parcels Delinquent	% Levy Delinquent	Remaining Amount Collected	Remaining Amount Delinquent <sup>(2)</sup>	Remaining No of Parcels Delinquent	% Levy Delinquent
2011-12	\$2,854,539	1,836	\$2,816,876	\$37,663	49	1.32%	\$2,853,109	\$1,430	2	0.05%
2012-13	2,918,105	1,837	2,895,621	22,484	30	0.77	2,916,829	1,276	1	0.04
2013-14	3,139,868	1,837	3,114,785	25,083	28	0.80	3,137,875	1,993	2	0.06
2014-15	3,103,000	1,837	3,091,885	11,115	11	0.36	3,100,951	2,049	2	0.07
2015-16 <sup>(3)</sup>	3,147,083	1,837	n/a	10,088	17	0.32	n/a	10,088	17	0.64

(1) Delinquency information as of May or June of the fiscal year in which the Special Taxes were levied except as noted.

(2) Delinquent amounts shown above do not include penalties, interest or fees.

(3) The above fiscal year 2015-16 delinquency information reflects the collection of the first installment only as the second installment collection data is not yet available. The fiscal year 2015-16 Percent Levy Delinquent reported above was calculated using the first installment delinquent amount and one-half of the fiscal year 2015-16 Special Tax Levy amount shown above.

Source: Placer County Tax Collector, as compiled by Willdan Financial Services.

## 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 that should be considered before making an investment decision.*

### **Limited Obligation to Pay Debt Service**

**The Bonds.** The Bonds are special obligations of the Authority payable solely from and secured solely by the Revenues, consisting primarily of debt service on the CFD Bonds, and other amounts held and pledged therefor under the Indenture. The Authority has no obligation to pay principal of or interest on the Bonds if the Revenues and the amounts in the other funds pledged for the Bonds, including the Reserve Fund, are insufficient pay the debt service on the Bonds. The Authority is not obligated to advance funds to pay debt service on the Bonds.

**The CFD Bonds.** The City has no obligation to pay principal of or interest on the CFD Bonds if Special Tax collections are delinquent or insufficient, including funds derived from the foreclosure and sale of parcels for Special Tax delinquencies, to pay the debt service on the CFD Bonds. The City is not obligated to advance funds to pay debt service on the CFD Bonds.

### **Levy and Collection of the Special Taxes**

**General.** The principal source of payment of principal of and interest on each series of the CFD Bonds is the proceeds of the annual levy and collection of the Special Tax against taxable property within the applicable District.

**Limitation on Special Tax Rate.** The annual levy of the Special Tax on any parcel is limited to the maximum Special Tax rate authorized in the applicable Special Tax Formula. The levy cannot be made at a higher rate even if the failure to do so means that the estimated proceeds of the levy and collection of the Special Tax, together with other available funds, will not be sufficient to pay debt service on the CFD Bonds.

**No Relationship Between Property Value and Special Tax Levy.** Because the Special Tax Formula is not based on property value, the levy of the Special Tax will rarely, if ever, result in a uniform relationship between the value of particular parcels of taxable property and the amount of the levy of the Special Tax against those parcels. Thus, there will rarely, if ever, be a uniform relationship between the value of the parcels of taxable property and their proportionate share of debt service on the CFD Bonds, and certainly not a direct relationship.

**Factors that Could Lead to Special Tax Deficiencies.** The following are some of the factors that might cause the levy of the Special Tax on any particular parcel of taxable property to vary from the Special Tax that might otherwise be expected:

Transfers to Governmental Entities. The number of parcels of taxable property could be reduced through the acquisition of taxable property by a governmental entity (by exercise of its rights as mortgage guarantor, or for other reasons) and failure of the government to pay the Special Tax based upon a claim of exemption or, in the case of the federal government or an agency thereof, immunity from taxation, thereby resulting in an increased tax burden on the remaining taxed parcels. *No investigation has been made as to whether any governmental entity currently owns or has an interest in any property in the Districts.*

Property Tax Delinquencies. Failure of the owners of taxable property to pay property taxes (and, consequently, the Special Tax), or delays in the collection of or inability to collect the Special Tax by tax sale or foreclosure and sale of the delinquent parcels, could result in a deficiency in the collection of Special Taxes. For a summary of Special Tax collections and delinquencies in the Districts, see “THE DISTRICTS – Delinquencies on a Combined Basis.”

Delays Following Delinquencies and Foreclosure Sales. The CFD Bond Indentures provide that the Special Tax is to be collected in the same manner as ordinary *ad valorem* property taxes are collected and, except as provided in the special covenant for foreclosure described in “SECURITY FOR THE CFD BONDS – Covenants of the City” and in the Act, is subject to the same penalties and the same procedure, sale and lien priority in case of delinquency as is provided for ordinary *ad valorem* property taxes. Under these procedures, if taxes are unpaid for a period of five years or more, the property is subject to sale by the County.

If sales or foreclosures of property are necessary, there could be a delay in payments to the Authority, as owner of the CFD Bonds, pending such sales or the prosecution of foreclosure proceedings and receipt by the City of the proceeds of sale if the Reserve Account for the applicable CFD Bonds within the Reserve Fund held by the Trustee is depleted. See “SECURITY FOR THE CFD BONDS.”

### **Payment of Special Taxes is not a Personal Obligation of the Property Owners**

Property owners are not personally obligated to pay their respective Special Taxes. Rather, the Special Taxes are obligations only against the respective parcels against which they are levied. If, after a default in the payment of the Special Tax and a foreclosure sale, the resulting proceeds are insufficient, taking into account other obligations also constituting a lien against the parcel, the City has no personal recourse against the parcel owner.

### **Assessed Valuations**

The City has not commissioned an appraisal of the parcels in either District in connection with the issuance of the Bonds. Therefore, the estimated valuation of the taxable property in the Districts set forth in this Official Statement are based on the County Assessor’s values. The Assessed Valuation, derived from the County Assessor’s Fiscal Year 2015-16 property tax roll, is not necessarily an indication of what a willing buyer might pay for a property. The assessed value is not necessarily evidence of future value because future facts and circumstances may differ significantly from the present.

No assurance can be given that any of the taxable property in the Districts could be sold for the Assessed Valuations if that property should become delinquent and subject to foreclosure proceedings.

### **Property Values**

The value of taxable property within the Districts is a critical factor in determining the investment quality of the Bonds. If a parcel owner defaults in the payment of the Special Taxes, the City’s only remedy is to foreclose on the delinquent property.

The following is a discussion of specific risk factors that could affect the value of property in the Districts.

Prolonged Economic Downturn. Land values in and around the City have been in the past and likely would be in the future adversely affected by national and local economic conditions. To the extent of an economic downturn, property values could remain flat and/or decrease for an indefinite period.

Declines in home values in the Districts could also result in property owner unwillingness or inability to pay mortgage payments, as well as *ad valorem* property taxes and Special Taxes, when due. Under such circumstances, bankruptcies are likely to increase. Bankruptcy by homeowners with delinquent Special Taxes would delay the commencement and completion of foreclosure proceedings.

Risks Related to Mortgage Loans. Although residential projects that have their homes built and occupied by homeowners are typically viewed as providing bondholders with strong credits, some of the home purchasers within the Districts, especially those during 2004 to 2007, may face challenges in making their mortgage and tax payments on a timely basis, due to their initial high loan to value ratios, creative mortgage loan structures, and potential negative equity levels.

Events in the United States and world-wide capital markets could adversely affected the availability of mortgage loans to homeowners, including potential buyers of homes within the Districts. Any such unavailability could hinder the ability of the current homeowners to resell their homes, and adversely affect the market prices available to current homeowners.

Natural Disasters. The value of the parcels in the Districts 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 Districts and the continued habitability and enjoyment of such private improvements. For example, the areas in and surrounding the Districts, like those in much of the State, may be subject to earthquakes or other unpredictable seismic activity, however, the Districts are 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.

Hazardous Substances. One of the most serious risks in terms of the potential reduction in the property values is a claim with regard to a hazardous substance. In general, the owners and operators of property 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, but California laws with regard to

hazardous substances are also stringent and similar. 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 Taxable Property in the Districts be affected 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.

Although the City is not aware that the owner or operator of any of the Taxable Property in the Districts has such a current liability, it is possible that such liabilities do currently exist. Further, it is possible that liabilities may arise in the future resulting from the existence, currently, on the parcel of a substance presently classified as hazardous but that 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 that 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 property values that would otherwise be realized upon a delinquency.

*No information is available as to the existence of any hazardous substances within the Districts.*

Other Factors. Other factors that could adversely affect property values in the Districts include, among others, relocation of employers out of the area, shortages of water, electricity, natural gas or other utilities, and destruction of property caused by man-made disasters.

### **California Drought; State of Emergency Proclamation**

On January 17, 2014, with California facing water shortfalls in the then-driest year in recorded state history, Governor Edmund G. Brown Jr. proclaimed a State of Emergency and directed state officials to take all necessary actions to prepare for these drought conditions. In the State of Emergency declaration, Governor Brown directed State officials to assist farmers and communities that were economically impacted by dry conditions and to ensure the State could respond if Californians faced drinking water shortages. The Governor also directed state agencies to use less water and hire more firefighters and greatly expanded water conservation public awareness. In addition, the proclamation gave state water officials more flexibility to manage supply throughout California under drought conditions.

The Governor's State of Emergency declaration followed a series of actions the administration had taken to ensure that California was prepared for record dry conditions. In May 2013, Governor Brown had issued an Executive Order to direct State water officials to expedite the review and processing of voluntary transfers of water and water rights. In December 2014, the Governor had formed a Drought Task Force to review expected water allocations, California's preparedness for water scarcity and whether conditions merited a drought declaration.

California set a new "low water" mark on April 1, 2015, with its early-April snowpack measurement. The Statewide electronic reading of the snowpack's water content stood at 1.4 inches, or 5 percent, of the 28-inch average. The lowest previous reading since 1950 was 25

percent of the average, so water year 2015 was the driest winter in California's written record. Subsequently, on April 1, 2015, for the first time in State history, the Governor directed the State Water Resources Control Board to implement mandatory water reductions in cities and towns across California to reduce water usage by 25 percent. This savings amounted to approximately 1.5 million acre-feet of water over nine months.

Following a wet winter that partly replenished the mountain snowpack and a year of savings in State water use, the State Water Resources Control Board announced that it would suspend the mandatory Statewide reduction in urban water use, effective June 1, 2016. Although the State is still in a drought, the State Water Resources Control Board adopted new rules that would allow local communities to set their own conservation standards based on their own projection of water supplies, assuming that the next three years would continue to be uncommonly dry. These projections would be subject to State review, and the State could impose restrictions on communities it determines were being unrealistic. Should communities revert to water-wasting habits, or if subsequent years are dry again, the State may return to the mandatory statewide reductions. The Authority cannot predict how long the drought conditions will last, what effect drought conditions may have on property values or whether or to what extent water reduction requirements in effect today or mandated in the future may affect the Districts.

### **Other Possible Claims Upon the Property Values**

While the Special Taxes are secured by the Taxable Property in the Districts, the security only extends to the value of such property that is not subject to priority and parity liens and similar claims.

Tables listing of the outstanding governmental obligations affecting each District are set forth above under "OWNERSHIP AND VALUE OF PROPERTY WITHIN THE DISTRICTS – Direct and Overlapping Governmental Liens."

In addition, other governmental obligations may be authorized and undertaken or issued in the future, the tax, assessment or charge for which may become an obligation of one or more of the parcels within the Districts, and may be secured by a lien on a parity with the lien of the Special Taxes securing the CFD Bonds.

In general, the Special Taxes, 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. If proceedings are brought to foreclose a delinquency, the Special Taxes will generally be on parity with the other taxes, assessments and charges, and will share the proceeds of such foreclosure proceedings on a pro-rata basis.

### **Enforcement of Special Taxes on Governmentally Owned Properties**

**General.** The ability of the City to foreclose the lien of delinquent unpaid Special Tax installments may be limited with regard to properties in which the Federal Deposit Insurance Corporation (the "FDIC"), the Drug Enforcement Agency, the Internal Revenue Service, or other federal agency has or obtains an interest.

Federal courts have held that, based on the supremacy clause of the United States Constitution, in the absence of Congressional intent to the contrary, a state or local agency cannot foreclose to collect delinquent taxes or assessments if foreclosure would impair the federal government interest.

The supremacy clause of the United States Constitution reads as follows: "This Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made, under the Authority of the United States, shall be the supreme Law of the Land; and the Judges in every State shall be bound thereby, any Thing in the Constitution or Laws of any State to the contrary notwithstanding."

This means that, unless Congress has otherwise provided, if a federal governmental entity owns a parcel that is subject to Special Taxes within the Districts, but does not pay taxes and assessments levied on the parcel (including Special Taxes), the applicable state and local governments cannot foreclose on the parcel to collect the delinquent taxes and assessments.

Moreover, unless Congress has otherwise provided, if the federal government has a mortgage interest in the parcel and the City wishes to foreclose on the parcel as a result of delinquent Special Taxes, the property cannot be sold at a foreclosure sale unless it can be sold for an amount sufficient to pay delinquent taxes and assessments on a parity with the Special Taxes and preserve the federal government's mortgage interest. In *Rust v. Johnson* (9th Circuit; 1979) 597 F.2d 174, the United States Court of Appeal, Ninth Circuit held that the Federal National Mortgage Association ("**FNMA**") is a federal instrumentality for purposes of this doctrine, and not a private entity, and that, as a result, an exercise of state power over a mortgage interest held by FNMA constitutes an exercise of state power over property of the United States.

Neither the City nor the Authority has undertaken to determine whether any federal governmental entity currently has, or is likely to acquire, any interest (including a mortgage interest) in any of the parcels subject to the Special Taxes within the Districts. No assurance can be given as to the likelihood that the risks described above will materialize while the CFD Bonds are outstanding.

**FDIC.** If any financial institution making any loan secured by real property within the Districts is taken over by the FDIC, and prior thereto or thereafter the loan (or loans) goes into default, resulting in ownership of the property by the FDIC, then the ability of the City to collect interest and penalties specified by State law and to foreclose the lien of delinquent unpaid Special Taxes may be limited.

The FDIC's policy statement regarding the payment of state and local real property taxes (the "**Policy Statement**") provides that property owned by the FDIC is subject to state and local real property taxes only if those taxes are assessed according to the property's value, and that the FDIC is immune from real property taxes assessed on any basis other than property value. According to the Policy Statement, the FDIC will pay its property tax obligations when they become due and payable and will pay claims for delinquent property taxes as promptly as is consistent with sound business practice and the orderly administration of the institution's affairs, unless abandonment of the FDIC's interest in the property is appropriate. The FDIC will pay claims for interest on delinquent property taxes owed at the rate provided under state law, to the extent the interest payment obligation is secured by a valid lien. The FDIC will not pay any amounts in the nature of fines or penalties and will not pay nor recognize liens for such amounts. If any property taxes (including interest) on FDIC-owned property are secured by a

valid lien (in effect before the property became owned by the FDIC), the FDIC will pay those claims. The Policy Statement further provides that no property of the FDIC is subject to levy, attachment, garnishment, foreclosure or sale without the FDIC's consent. In addition, the FDIC will not permit a lien or security interest held by the FDIC to be eliminated by foreclosure without the FDIC's consent.

The Policy Statement states that the FDIC generally will not pay non-ad valorem taxes, including special taxes and assessments, on property in which it has a fee interest unless the amount of tax is fixed at the time that the FDIC acquires its fee interest in the property, nor will it recognize the validity of any lien to the extent it purports to secure the payment of any such amounts. Special taxes imposed under the Act and a special tax formula, which determines the special tax due each year, are specifically identified in the Policy Statement as being imposed each year and therefore covered by the FDIC's federal immunity. The Ninth Circuit issued a ruling on August 28, 2001, in which it determined that the FDIC, as a federal agency, is exempt from Mello-Roos special taxes.

The Authority and the City are unable to predict what effect the application of the Policy Statement would have in the event of a delinquency in the payment of Special Taxes on a parcel within the Districts, in which the FDIC has or obtains an interest, although prohibiting the lien of the Special Taxes to be foreclosed out at a judicial foreclosure sale could reduce or eliminate the number of persons willing to purchase a parcel at a foreclosure sale. Such an outcome could cause a draw on either the Reserve Accounts established for the CFD Bonds and perhaps, ultimately, if enough property were to become owned by the FDIC, a default in payment on the CFD Bonds.

***Exemptions Under Special Tax Formula and the Mello-Roos Act.*** Certain properties are exempt from the Special Tax in accordance with the Special Tax Formula and the Act, which provides that properties or entities of the state, federal or local government are exempt from the Special Tax; provided, however, that property within the Districts acquired by a public entity through a negotiated transaction or by gift or devise, which is not otherwise exempt from the Special Tax, will continue to be subject to the Special Tax.

In addition, although the Act provides that if property subject to the Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Tax with respect to that property is to be treated as if it were a special assessment, the constitutionality and operation of these provisions of the Act have not been tested, meaning that such property could become exempt from the Special Tax. The Act further provides that no other properties or entities are exempt from the Special Tax unless the properties or entities are expressly exempted in a resolution of consideration to levy a new special tax or to alter the rate or method of apportionment of an existing special tax.

### **Reserve Fund Funded Solely with Reserve Surety**

On the Closing Date, the Authority will deposit the Reserve Surety issued by AGM with the Trustee in satisfaction of its obligation to fund the Reserve Fund to the Reserve Requirement. See "SECURITY FOR THE BONDS AND SOURCES OF PAYMENT THEREFOR – Reserve Fund." Amounts in the Reserve Fund may be used to pay principal of and interest on the Bonds if insufficient funds are available from the Revenues, which result from the proceeds of the levy and collection of the Special Taxes. The amounts available under the Reserve Surety will be used and withdrawn by the Trustee solely for the purpose of making transfers to the Interest Account and Principal Account of the Revenue Fund in the event of any

deficiency therein. The Authority will have no obligation to replace the Reserve Surety or to fund the Reserve Fund with cash or any other security if, at any time that the Bonds are Outstanding, amounts are not available under the Reserve Surety.

### **Bankruptcy Delays**

The payment of the Special Taxes, and the ability of the City to foreclose the lien of a delinquent unpaid Special Tax, may be limited by bankruptcy, insolvency or other laws generally affecting creditors' rights or by State laws 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 or any other person claiming an interest in the property could result in a delay in superior court foreclosure proceedings and could result in the possibility of Special Tax installments not being paid in part or in full. Such a delay would increase the likelihood of a delay or default in payment of the principal of and interest on the CFD Bonds, as applicable.

### **Disclosure to Future Purchasers**

The City has recorded, in the Office of the County Recorder, a notice of the Special Tax lien with respect to the Districts. While title companies normally refer to such notices in title reports, there can be no guarantee that such reference will be made or, if made, that a prospective purchaser or lender will consider the obligations represented by the Special Taxes in the purchase of a parcel of land or a home in the Districts, or the lending of money secured by property in the Districts.

### **No Acceleration; Right to Pursue Remedies**

Neither the Bonds nor the CFD Bonds contain a provision allowing for acceleration if a payment default or other default occurs under the Indenture or the CFD Bond Indentures. See "APPENDIX A – Summary of Certain Provisions of Principal Legal Documents."

So long as the Bonds are in book-entry form, DTC will be the sole Bond Owner and will be entitled to exercise all rights and remedies of Bond Owners under the Bonds and the Indenture.

### **Loss of Tax Exemption**

As discussed under the caption "LEGAL MATTERS – Tax Matters," interest on the Bonds might become includable in gross income for purposes of federal income taxation retroactive to the date the Bonds were issued as a result of future acts or omissions of the Authority in violation of its covenants in the Indenture, or of the City in violation of its covenants in the CFD Bond Indentures.

The Indenture does not contain a special redemption feature triggered by the occurrence of an event of taxability. As a result, if interest on the Bonds were to be includable in gross income for purposes of federal income taxation, the Bonds would continue to remain outstanding until maturity unless earlier redeemed pursuant to mandatory redemption. See “THE BONDS – Redemption.”

In addition, Congress has considered in the past, is currently considering and may consider in the future, legislative proposals, including some that carry retroactive effective dates, that, if enacted, would alter or eliminate the exclusion from gross income for federal income tax purposes of interest on municipal bonds, such as the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation.

### **Voter Initiatives**

Under the California Constitution, the power of initiative is reserved to the voters for the purpose of enacting statutes and constitutional amendments. Since 1978, the voters have exercised this power through the adoption of Proposition 13 and similar measures, including Proposition 218, which was approved in the general election held on November 5, 1996, and Proposition 26, which was approved on November 2, 2010.

Any such initiative may affect the collection of fees, taxes and other types of revenue by local agencies such as the City. Subject to overriding federal constitutional principles, such collection may be materially and adversely affected by voter-approved initiatives, possibly to the extent of creating cash-flow problems in the payment of outstanding obligations such as the CFD Bonds.

Proposition 218—Voter Approval for Local Government Taxes—Limitation on Fees, Assessments, and Charges—Initiative Constitutional Amendment, added Articles XIIC and XIID to the California Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges.

On November 2, 2010, California voters approved Proposition 26, entitled the “Supermajority Vote to Pass New Taxes and Fees Act”. Section 1 of Proposition 26 declares that Proposition 26 is intended to limit the ability of the State Legislature and local government to circumvent existing restrictions on increasing taxes by defining the new or expanded taxes as “fees.” Proposition 26 amended Articles XIII A and XIIC of the State Constitution. The amendments to Article XIII A limit the ability of the State Legislature to impose higher taxes (as defined in Proposition 26) without a two-thirds vote of the Legislature. Article XIIC requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes require a majority vote and taxes for specific purposes (“special taxes”) require a two-thirds vote.

The Special Taxes and the CFD Bonds were each authorized by not less than a two-thirds vote of the landowners within the CFD who constituted the qualified electors at the time of such voted authorization. The City believes, therefore, that issuance of the CFD Bonds does not require the conduct of further proceedings under the Act, Proposition 218 or Proposition 26.

Like their antecedents, Proposition 218 and Proposition 26 are likely to undergo both judicial and legislative scrutiny before the impact on the Districts can be determined. Certain provisions of Proposition 218 and Proposition 26 may be examined by the courts for their

constitutionality under both State and federal constitutional law, the outcome of which cannot be predicted.

### **Secondary Market for Bonds**

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that any Bonds can be sold for any particular price. Prices of bond issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

No assurance can be given that the market price for the Bonds will not be affected by the introduction or enactment of any future legislation (including without limitation amendments to the Internal Revenue Code), or changes in interpretation of the Internal Revenue Code, or any action of the Internal Revenue Service, including but not limited to the publication of proposed or final regulations, the issuance of rulings, the selection of the Bonds for audit examination, or the course or result of any Internal Revenue Service audit or examination of the Bonds or obligations that present similar tax issues as the Bonds.

### **Bond Insurance Risk Factors**

In the event of default of the payment of principal or interest with respect to the Insured Bonds when all or some becomes due, any owner of the Insured Bonds shall have a claim under the Policy for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Insured Bonds by the Authority which is recovered by the Authority from the bond owner as a voidable preference under applicable bankruptcy law is covered by the Policy, however, such payments will be made by AGM at such time and in such amounts as would have been due absent such prepayment by the Authority unless AGM chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of AGM without appropriate consent. AGM may direct and must consent to any remedies and AGM's consent may be required in connection with amendments to any applicable bond documents.

In the event AGM is unable to make payment of principal and interest as such payments become due under the Policy, the Insured Bonds are payable solely from the moneys received pursuant to the applicable bond documents. In the event AGM becomes obligated to make payments with respect to the Insured Bonds, no assurance is given that such event will not adversely affect the market price of the Insured Bonds or the marketability (liquidity) for the Insured Bonds.

The long-term ratings on the Insured Bonds are dependent in part on the financial strength of AGM and its claims paying ability. AGM's financial strength and claims paying ability are predicated upon a number of factors, which could change over time. No assurance is given that the long-term ratings of AGM and of the ratings on the Insured Bonds will not be subject to downgrade, and such event could adversely affect the market price of the Insured Bonds or the marketability (liquidity) for the Insured Bonds. See "RATINGS" herein.

The obligations of AGM are general obligations of AGM and in an event of default by AGM, the remedies available may be limited by applicable bankruptcy law or other similar laws related to insolvency.

Neither the Authority nor the Underwriter have made independent investigation into the claims paying ability of AGM and no assurance or representation regarding the financial strength or projected financial strength of AGM is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the Authority to pay principal and interest on the Insured Bonds and the claims paying ability of AGM, particularly over the life of the investment. See "BOND INSURANCE" herein for further information provided by AGM and the Policy, which includes further instructions for obtaining current financial information concerning AGM.

## THE AUTHORITY

The Authority is a joint exercise of powers authority duly organized and operating pursuant to Article 1 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the California Government Code, and pursuant to a Joint Exercise of Powers Agreement entered into in 2005 by and between the City and the Roseville Parking Authority, and is qualified to assist in financing projects and certain public improvements and to issue the Bonds under the Refunding Bond Law. The Authority has no taxing power. The Authority and the City are each separate and distinct legal entities, and the debts and obligations of one such entity are not debts or obligations of the other entity.

The Authority was established for the purpose of financing the acquisition, construction, improvement and equipping of public capital improvements. The governing board of the Authority is comprised of the same individuals as the City Council of the City.

## BOND INSURANCE

***Bond Insurance Policy.*** Concurrently with the issuance of the Bonds, AGM will issue the Policy for the Insured Bonds. The Policy guarantees the scheduled payment of principal and interest on the Insured Bonds when due as set forth in the form of the Policy included as APPENIX H to this Official Statement. The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

***Assured Guaranty Municipal Corp.*** AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. (“**AGL**”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO”. AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM’s financial strength is rated “AA” (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“**S&P**”), “AA+” (stable outlook) by Kroll Bond Rating Agency, Inc. (“**KBRA**”) and “A2” (stable outlook) by Moody’s Investors Service, Inc. (“**Moody’s**”). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM’s long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the Authority of Bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings. On June 29, 2015, S&P issued a credit rating report in which it affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On December 8, 2015, Moody's published a credit opinion maintaining its existing insurance financial strength rating of "A2" (stable outlook) on AGM. AGM can give no assurance as to any further ratings action that Moody's may take.

On December 10, 2015, KBRA issued a financial guaranty surveillance report in which it affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

Capitalization of AGM. At March 31, 2016, AGM's policyholders' surplus and contingency reserve were approximately \$3,742 million and its net unearned premium reserve was approximately \$1,530 million. Such amounts represent the combined surplus, contingency reserve and net unearned premium reserve of AGM, AGM's wholly owned subsidiary Assured Guaranty (Europe) Ltd. and 60.7% of AGM's indirect subsidiary Municipal Assurance Corp.; each amount of surplus, contingency reserve and net unearned premium reserve for each company was determined in accordance with statutory accounting principles.

Incorporation of Certain Documents by Reference. Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2015 (filed by AGL with the SEC on February 26, 2016); and
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2016 (filed by AGL with the SEC on May 5, 2016).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 31 West 52<sup>nd</sup> Street, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption “BOND INSURANCE – Assured Guaranty Municipal Corp.” or included in a document incorporated by reference herein (collectively, the “**AGM Information**”) shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters. AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading “BOND INSURANCE”.

## LEGAL MATTERS

### Tax Matters

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, provided, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings.

The opinions set forth in the preceding paragraph are subject to the condition that the Authority and the City comply with all requirements of the Internal Revenue Code of 1986, as amended (the “**Tax Code**”), that must be satisfied subsequent to the issuance of the Bonds. The Authority and the City have covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the 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 a 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.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Bonds to determine taxable

gain upon disposition (including sale, redemption, or payment on maturity) of such Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Bonds who purchase the Bonds after the initial offering of a substantial amount of such maturity. Owners of such Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such Bonds under federal individual and corporate alternative minimum taxes.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the Bond (said term being the shorter of the Bond's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Bond is amortized each year over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized Bond premium is not deductible for federal income tax purposes. Owners of premium Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Bonds.

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

Owners of the Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Bonds other than as expressly described above.

### **Absence of Litigation**

The Authority and the City will certify at the time the Bonds are issued that no litigation is pending or threatened concerning the validity of the Bonds or the CFD Bonds and that no action, suit or proceeding is known by the Authority or the City to be pending that would restrain or enjoin the delivery of the Bonds or the CFD Bonds, or contest or affect the validity of the Bonds or the CFD Bonds, or any proceedings of the Authority or the City taken with respect to the Bonds or the CFD Bonds.

### **Legal Opinion**

All proceedings in connection with the issuance of the Bonds are subject to the approval as to their legality of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. The form of unqualified opinion of Bond Counsel approving the validity of the Bonds is attached as APPENDIX E.

### **RATINGS**

S&P Global Ratings ("**S&P**") is expected to assign the rating of "AA" to the Insured Bonds with the understanding that, upon delivery of the Bonds, the Policy will be issued by AGM. S&P has also assigned a rating of "A" to the Bonds, without regard to the issuance of the

Policy. Such ratings reflect only the view of S&P and an explanation of the significance of such ratings may be obtained from S&P at: S&P Global Ratings, 55 Water Street, New York, New York 10041. There is no assurance that such ratings will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds. The City and the Authority assume no obligation to attempt to maintain any ratings on the Bonds.

## **UNDERWRITING**

RBC Capital Markets, LLC (the “**Underwriter**”), has agreed to purchase the Bonds at a purchase price of \$20,809,335.75 (being the principal amount of the Bonds (\$18,555,000) *plus* original issue premium of \$2,402,759.50 and *less* an underwriter’s discount of \$148,423.75).

The Underwriter may change the initial public offering prices of the Bonds from time to time. The agreement under which the Underwriter has agreed to purchase the Bonds provides that the Underwriter will purchase all the Bonds if any are purchased, and that the obligation to make such purchase is subject to certain terms and conditions set forth therein, including, among others, the approval of certain legal matters by counsel.

The Underwriter and its respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriter and its respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriter and its respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the Issuer. The Underwriter and its respective affiliates may make a market in credit default swaps with respect to municipal securities in the future. The Underwriter and its respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the Authority.

## **CONTINUING DISCLOSURE**

The City, on behalf of itself and the Authority, will covenant for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the Districts (the “**Annual Report**”) by not later than nine months following the end of the City’s Fiscal Year (currently March 31 based on the City’s Fiscal Year ending June 30), commencing March 31, 2017, with the report for the Fiscal Year ending June 30, 2016, and to provide notices of the occurrence of certain listed events.

These covenants have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5), as amended (the “**Rule**”). The specific nature of the information to be contained in the Annual Report or the notices of listed events is set forth in APPENDIX F.

A review of the City's compliance with prior continuing disclosure undertakings in the last five years indicates that:

(1) The annual reports required for Fiscal Years 2011, 2012, 2013 and 2015 for certain of the City's then-outstanding obligations were not filed with all required information until up to 552 days after the dates required for such filings.

(2) The Audited Financial Statements of the City for Fiscal Years 2011, 2012 and 2013 for certain of the City's then-outstanding obligations were filed up to 921 days after the dates required for such filings.

(3) The City may not have in a timely manner filed all significant event notices, including notices of changes in the ratings of certain then-outstanding obligations resulting from changes in ratings to the bond insurers who insured such obligations or the underlying ratings for such obligations. However, the City has subsequently filed all previous event notices of changes in ratings on all currently outstanding obligations of which it is aware.

The City has engaged contract support for the preparation and filing of its continuing disclosure reports, including as to the Districts, in order to ensure compliance with future continuing disclosure obligations.

## **MISCELLANEOUS**

### **Verification of Mathematical Computations**

Grant Thornton, LLP, Minneapolis, Minnesota, independent accountants, upon delivery of the Bonds, will deliver one or more reports on the mathematical accuracy of certain computations contained in schedules provided to them which were prepared by the Authority and the City relating to the sufficiency of moneys and securities deposited into the Escrow Fund to pay, when due, the principal, whether at maturity or upon prior prepayment, interest and prepayment premium requirements of the 2006 Bonds.

### **Professionals Involved in the Offering**

All proceedings in connection with the issuance of the Bonds are subject to the approval of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Jones Hall, A Professional Law Corporation, is also acting as Disclosure Counsel to the Authority. The Bank of New York Mellon Trust Company, N.A., San Francisco, California, will act as the Trustee. Nossaman, LLP, Irvine, California, is acting as counsel to the Underwriter.

The Authority has retained FirstSouthwest, a Division of Hilltop Securities Inc., Santa Monica, California, as municipal advisor (the "**Municipal Advisor**") in connection with the planning, structuring and issuance of the Bonds. The Municipal 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.

The compensation of Bond Counsel, Disclosure Counsel, the Trustee, the Municipal Advisor and Underwriter's counsel is contingent upon issuance of the Bonds.

**Execution**

The execution and delivery of this Official Statement have been duly authorized by the Authority.

ROSEVILLE FINANCE AUTHORITY

By:           /s/ Jay Panzica            
Chief Financial Officer/Treasurer

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## APPENDIX A

### SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS

#### INDENTURE OF TRUST RELATING TO THE BONDS

*The following is a summary of certain provisions of the Indenture of Trust relating to the Bonds not otherwise described in the text of this Official Statement. Such summary is not intended to be definitive, and reference is made to the full text of the Indenture of Trust for the complete terms thereof.*

##### Certain Definitions.

"Additional Bonds" has the meaning given that term in the Indenture.

"Annual Debt Service" means, for each Bond Year, the sum of (a) the interest payable on the Outstanding Bonds in such Bond Year, and (b) the principal amount of the Outstanding Bonds scheduled to be paid in such Bond Year.

"Authority" means the Roseville Finance Authority, a joint powers authority established under Sections 6500 et seq. of the California Government Code and a Joint Exercise of Powers Agreement originally entered into as of July 1, 1989 and amended and restated as of July 1, 1997, by and between the City and the Redevelopment Agency of the City of Roseville.

"Authority Administrative Expenses" means the fees and expenses of the Trustee, including legal fees and expenses (including fees and expenses of outside counsel and the allocated costs of internal attorneys) and the out of pocket expenses incurred by the Trustee, the City and the Authority in carrying out their duties, including payment of amounts payable to the United States pursuant to the Indenture and any costs associated with the increase or decrease in the balance held in the Reserve Funds (whether in connection with the prepayment of Special Taxes or otherwise).

"Authorized Officer" means (i) with respect to the Authority, the Chairman, Executive Director, Secretary or Treasurer of the Authority or any other Person authorized by the Authority to perform an act or sign a document on behalf of the Authority for purposes of the Indenture and (ii) with respect to the City, its Chief Financial Officer, Treasurer, City Manager, Finance Director, City Attorney or City Clerk, or any other Person authorized by the City to perform an act or sign a document on behalf of the City for purposes of the Indenture.

"Beneficial Owners" means the actual purchasers of the Bonds whose ownership interests are recorded on the books of the DTC Participants.

"Bond Counsel" means Jones Hall, A Professional Law Corporation, and its successors; or any other attorney at law or firm of attorneys selected by the Authority, of nationally recognized standing in matters pertaining to the federal tax exemption of interest on bonds issued by states and political subdivisions, and duly admitted to practice law before the highest court of any state of the United States of America.

"Bond Insurance Policy" means the policy of municipal bond insurance issued by the Bond Insurer which insures the payment when due of principal of and interest on the Insured Bonds.

"Bond Insurer" means Assured Guaranty Municipal Corp., a New York stock insurance company, its successors and assigns, as issuer of the Bond Insurance Policy and the Reserve Policy.

"Bond Register" means the registration books for the Bonds maintained by the Trustee in accordance with the Indenture.

"Bonds" means the 2016 Bonds and any Additional Bonds issued under the Indenture.

"Bond Year" means each twelve month period extending from September 2 in one calendar year to September 1 of the succeeding calendar year, except in the case of the initial Bond Year which shall be the period from the Closing Date to September 1, 2016, both dates inclusive.

"Business Day" means a day which is not a Saturday or Sunday or a day of the year on which the New York Stock Exchange or banks in New York, New York or San Francisco, California, or where the Trust Office is located, are not required or authorized to remain closed.

"Certificate of the Authority" means a certificate in writing signed by an Authorized Officer of the Authority.

"CFD Act" means the Mello-Roos Community Facilities Act of 1982, constituting Chapter 2.5 (commencing with Section 53311), Article 1 of Division 2 of Title 5 of the Government Code of that State of California, as amended from time to time.

"CFD Bonds" means, collectively, (i) the \$33,120,000 original aggregate principal amount of City of Roseville Highland Reserve North Community Facilities District No. 1 Special Tax Bonds, Series 2006, (ii) the \$6,245,000 original aggregate principal amount of Woodcreek East Community Facilities District No. 1 Special Tax Bonds, Series 2006 and (iii) any Parity Bonds (as defined in the CFD Bond Indentures) purchased by the Authority pursuant to the Indenture.

"CFD Bonds Trustee" means The Bank of New York Mellon Trust Company, N.A., or any successor trustee under the CFD Bond Indentures.

"CFD Bond Indentures" means, collectively, (i) the Bond Indenture, dated as of April 1, 2006, by and between the City, for and on behalf of Woodcreek East CFD, and the CFD Bonds Trustee, and (ii) the Bond Indenture, dated as of April 1, 2006, by and between the City, for and on behalf of Highland Reserve North CFD, and the CFD Bonds Trustee.

"City" means the City of Roseville, a municipal corporation and charter city duly established and existing under the Constitution and laws of the State of California.

"Closing Date" means the date upon which there is an initial physical delivery of Bonds in exchange for the amount representing the purchase price of the Bonds by the Original Purchaser, for the 2016 Bonds being July 14, 2016.

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

"Community Facilities Districts" or "CFDs" means, collectively, Woodcreek East CFD and Highland Reserve North CFD.

"Continuing Disclosure Certificate" means the Continuing Disclosure Certificate, dated as of July 14, 2016, entered into by the City for and on behalf of itself and the Authority in connection with the issuance by the Authority of the 2016 Bonds.

"Costs of Issuance" means the costs and expenses incurred in connection with the issuance and sale of the Bonds, including the acceptance and initial annual fees and expenses (including legal fees and expenses) of the Trustee, legal fees and expenses, costs of printing the Bonds and the preliminary and final Official Statements, Bond Insurance Policy and Reserve Policy premiums, fees of financial consultants, and other fees and expenses set forth in a Request of the Authority.

"Costs of Issuance Fund" means the fund by that name established in the Indenture.

"Dated Date" means the Closing Date.

"DTC" means The Depository Trust Company, New York, New York, and its successors and assigns.

"DTC Participants" means securities brokers and dealers, banks, trust companies, clearing corporations and other organizations maintaining accounts with DTC.

"Escrow Agreement" means the Escrow Agreement dated as of July 1, 2016 by and between the Authority and the Escrow Bank.

"Escrow Bank" means The Bank of New York Mellon Trust Company, N. A.

"Event of Default" means any of the events described in the Indenture.

"Fair Market Value" means, with respect to any investment, the price at which a willing buyer would purchase such 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 described above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (iii) the investment is a United States Treasury Security - State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the Authority and related parties do not own more than a ten percent

(10%) beneficial interest therein if the return paid by the fund is without regard to the source of the investment.

"Federal Securities" means any of the following:

- (a) Cash (insured at all times by the Federal Deposit Insurance Corporation).
- (b) Obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S. including:
  - U.S. treasury obligations
  - All direct or fully guaranteed obligations
  - Farmers Home Administration
  - General Services Administration
  - Guaranteed Title XI financing
  - Government National Mortgage Association (GNMA)
  - State and Local Government Series

"Fiscal Year" means any twelve month period extending from July 1 in one calendar year to June 30 of the succeeding calendar year, both dates inclusive, or any other twelve month period selected and designated by the Authority as its official fiscal year period.

"Highland Reserve North CFD" means the City of Roseville Highland Reserve North Community Facilities District No. 1, a community facilities district formed pursuant to the CFD Act.

"Highland Reserve North CFD Bonds" means the \$33,120,000 City of Roseville Highland Reserve North Community Facilities District No. 1 Special Tax Bonds, Series 2006.

"Indenture" means the Indenture of Trust, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture pursuant to the provisions.

"Independent Accountant" means any accountant or firm of such accountants appointed and paid by the Authority, and who, or each of whom –

- (a) is in fact independent and not under domination of the Authority or the City;
- (b) does not have any substantial interest, direct or indirect, in the Authority or the City; and
- (c) is not an officer or employee of the Authority, or the City, but who may be regularly retained to make annual or other audits of the books of or reports to the Authority or the City.

"Independent Financial Consultant" means any financial consultant or firm of such consultants appointed and paid by the Authority, and who, or each of whom –

(a) is in fact independent and not under domination of the Authority or the City;

(b) does not have any substantial interest, direct or indirect, in the Authority or the City; and

(c) is not an officer or employee of the Authority or the City, but who may be regularly retained to make annual or other audits of the books of or reports to the Authority or the City.

"Information Services" means "EMMA" or the "Electronic Municipal Market Access" system of the Municipal Securities Rulemaking Board; or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other services providing information with respect to called bonds as the City may designate in an Officer's Certificate delivered to the Fiscal Agent.

"Insured Bonds" means the Bonds maturing September 1 of the years 2024 through 2027, inclusive.

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

"Interest Payment Date" means March 1 and September 1 in each year, beginning March 1, 2017, and continuing thereafter so long as any Bonds remain Outstanding.

"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.

"Obligor" means the City on behalf of the Community Facilities Districts.

"Original Purchaser" means the first purchaser of a Series of Bonds and, with respect to the 2016 Bonds, RBC Capital Markets, LLC.

"Outstanding", when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture) all Bonds theretofore executed and issued by the Authority and authenticated and delivered by the Trustee under the Indenture except –

(a) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation pursuant to the Indenture;

(b) Bonds paid or deemed to have been paid within the meaning of the Indenture or Bonds called for redemption for which funds have been provided as described in the Indenture; and

(c) Bonds in lieu of or in substitution for which other Bonds shall have been executed, issued and delivered pursuant to the Indenture or any Supplemental Indenture.

"Owner" or "Bond Owner", when used with respect to any Bond, means the person in whose name the ownership of such Bond shall be registered on the Bond Register.

"Permitted Investments" means any of the following which at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein, but only to the extent that the same are acquired at Fair Market Value:

(a) Federal Securities;

(b) any of the following direct or indirect 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 pass-through obligations issued and guaranteed by the Government National Mortgage Association, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation or the Federal Housing Administration; (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;

(c) interest-bearing demand or time deposits (including certificates of deposit) or deposit accounts in federal or state chartered savings and loan associations or in federal or State of California banks (including the Trustee and its affiliates), provided that (i) the unsecured short-term obligations of such commercial bank or savings and loan association shall be rated in the highest short-term rating category by any rating agency or (ii) such demand or time deposits shall be fully insured by the Federal Deposit Insurance Corporation;

(d) commercial paper rated at the time of purchase in the highest short-term rating category by any rating agency, issued by corporations which are organized and operating within the United States of America, and which matures not more than 180 days following the date of investment therein;

(e) bankers acceptances, consisting of bills of exchange or time drafts drawn on and accepted by a commercial bank whose short-term obligations are rated in the highest short-term rating category by any rating agency or whose long-term obligations are rated A or better by each such rating agency, which mature not more than 270 days following the date of investment therein;

(f) obligations the interest on which is excludable from gross income pursuant to Section 103 of the Code and which are either (a) rated A or better by any rating agency or (b) fully secured as to the payment of principal and interest by Federal Securities;

(g) obligations issued by any corporation organized and operating within the United States of America having assets in excess of Five Hundred Million Dollars (\$500,000,000), which obligations are rated A or better by any rating agency;

(h) money market funds (including money market funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or other management services) which invest in Federal Securities or which are rated in the highest rating category by any rating agency;

(i) any investment agreement, repurchase agreement or other investment instrument acceptable to the Bond Insurer which represents the general unsecured obligations of a bank, investment banking firm or other financial institution whose long-term obligations are rated at the time of delivery of the investment agreement, repurchase agreement or other investment instrument A or better by any rating agency;

(j) shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State of California that invests exclusively in investments permitted by Section 53601 of Title 5, Division 2, Chapter 4 of the California Government Code, as it may be amended (California Asset Management Program); and

(k) the Local Agency Investment Fund of the State, created pursuant to Section 16429.1 of the California Government Code.

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

"Proportionate Share" means, as of the date of calculation for any issue of the CFD Bonds, the ratio derived by dividing the outstanding principal amount of such CFD Bonds by the aggregate principal amount of the Outstanding CFD Bonds. Highland Reserve North CFD's initial Proportionate Share is 83.14% and Woodcreek East CFD's initial Proportionate Share is 16.86%. Any reallocation of the Proportionate Share between Highland Reserve North CFD and Woodcreek East CFD is intended to occur only in the event of the optional or extraordinary redemption from prepayments, as applicable, of one or both issuances of the CFD Bonds in accordance with the CFD Bond Indentures.

"Rating Agency" or "Rating Agencies" means, as of any date, (i) Moody's, if Moody's then maintains a rating on the Bonds, and (ii) S&P, if S&P then maintains a rating on the Bonds.

"Rebate Fund" means the fund by that name established pursuant to the Indenture.

"Record Date" means, with respect to any Interest Payment Date, the fifteenth calendar day of the month preceding the month in which such Interest Payment Date occurs, whether or not such day is a Business Day.

"Redemption Fund" means the fund by that name established with respect to any CFD Bond.

"Refunding Bond Law" means Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53570 of said Code.

"Request of the Authority" means a written request executed by an Authorized Officer of the Authority.

"Request of the City" means a written certificate or request executed by an Authorized Officer of the City.

"Representation Letter" means the representation letter dated as of the Closing Date for a Series among the Authority, the Trustee and DTC.

"Reserve Fund" means the fund by that name established in the Indenture.

"Reserve Policy" means the Municipal Bond Debt Service Reserve Insurance Policy issued by the Bond Insurer for the credit of the Reserve Fund.

"Reserve Requirement" means \$2,095,775.95.

"Responsible Officer" means any officer of the Trustee assigned to administer the Trustee's duties under the Indenture.

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

"Revenues" means: (a) all amounts received from the CFD Bonds; (b) any proceeds of the Bonds originally deposited with the Trustee and all moneys deposited and held from time to time by the Trustee in the funds and accounts established with respect to the Bonds (other than the Rebate Fund and the Surplus Fund); and (c) investment income with respect to any moneys held by the Trustee in the funds and accounts established with respect to the Bonds (other than investment income on moneys held in the Rebate Fund and the Surplus Fund).

"Securities Depositories" means DTC, and, in accordance with then current guidelines of the Securities and Exchange Commission, such other securities depositories as the Authority designates in a written notice filed with the Trustee.

"Series" means a series of Bonds issued under the Indenture.

"State" means the State of California.

"Supplemental Indenture" means any indenture, agreement or other instrument hereafter duly executed by the Authority in accordance with the provisions of the Indenture.

"Surplus Fund" means the fund by that name established pursuant to the Indenture.

"Surplus Fund Annual Credit" means, as of the next Business Day following each September 3 during the term of each CFD Bond, that amount calculated by the Authority as follows:

Step 1: Divide the sum of the actual amount received by the Trustee for debt service payments scheduled to be made on the applicable CFD Bond in the preceding Bond Year by the sum of the debt service payments scheduled to be made on such CFD Bond during such time;

Step 2: Multiply the quotient determined pursuant to Step 1 by the amount then on deposit in the Surplus Fund.

"Term 2016 Bonds" means the 2016 Bonds subject to mandatory sinking fund redemption described herein.

"Trust Office" means the office of the Trustee at which at any particular time its corporate trust business shall be principally administered, which office at the date hereof is located in San

Francisco, California, or such other place as designated by the Trustee except that with respect to presentation of Bonds for payment or for registration of transfer and exchange, such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business shall be conducted.

"Trustee" means The Bank of New York Mellon Trust Company, N.A., and its successors and assigns, and any other corporation or association which may at any time be substituted in its place as provided in the Indenture.

"2006 Bonds" means, collectively, the Authority's Revenue Bonds, 2006 Series A (Senior Lien Bonds) issued in the original aggregate principal amount of \$35,870,000 and the Authority's Revenue Bonds 2006, Series B (Junior Lien Bonds) issued in the original aggregate principal amount of \$4,645,000, which were each issued pursuant to the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 (commencing with Section 6584) of Chapter 5, Division 7, Title 1 of the Government Code of the State of California.

"2006 Indenture" means the Indenture of Trust, dated as of April 1, 2006, by and between the Authority and the 2006 Trustee.

"2006 Trustee" means The Bank of New York Mellon Trust Company, N.A., as trustee of the 2006 Bonds.

"2016 Bonds" means the \$18,555,000 Roseville Finance Authority Special Tax Revenue Refunding Bonds, Series 2016 issued under the Indenture.

"Woodcreek East CFD" means City of Roseville Woodcreek East Community Facilities District No. 1, a community facilities district formed pursuant to the CFD Act.

"Woodcreek East CFD Bonds" means the \$6,245,000 original aggregate principal amount of Woodcreek East Community Facilities District No. 1 Special Tax Bonds, Series 2006.

#### Pledge of Revenues.

Subject to the provisions of the Indenture, the Bonds shall be secured by a first lien on and pledge of all of the Revenues. The Bonds shall be equally secured by a pledge, charge and lien upon the Revenues without priority for any Bond over any other Bond; and the payment of the interest on and principal of the Bonds and any premiums upon the redemption of any Bonds shall be and are secured by an exclusive pledge, charge and lien upon the Revenues. So long as any of the Bonds are Outstanding, the Revenues shall not be used for any purpose except as is expressly permitted by the Indenture.

The Authority transfers in trust, grants a security interest in and assigns to the Trustee, for the benefit of the Owners from time to time of the Bonds all of the Revenues and all of the right, title and interest of the Authority in the CFD Bonds, subject to the terms of the Indenture. The Trustee shall be entitled to and shall collect and receive all of the Revenues, and any Revenues collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and shall forthwith be paid by the Authority to the Trustee. Subject to the provisions of the Indenture, the Trustee also shall be entitled to and shall take all steps, actions and proceedings reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority and all of the obligations of the City under the CFD Bonds.

Upon the deposit with the Trustee of moneys sufficient to pay all principal of, premium, if any, and interest on the Bonds and upon satisfaction of all claims against the Authority under the Indenture with respect to the Bonds, including all fees, charges and expenses of the Trustee and the Authority which are properly payable, or upon the making of adequate provisions for the payment of such amounts as permitted hereby, all moneys remaining in all funds and accounts pertaining to such Bonds (except any amounts on deposit in the Rebate Fund and the Surplus Fund and except moneys necessary to pay principal of, premium, if any, and interest on such series of Bonds, which moneys shall be held by the Trustee pursuant to the Indenture), shall no longer be considered Revenues and are not pledged to repay the Bonds. Such amounts shall be transferred to the CFD Trustee for the then outstanding CFD Bonds. In the event that the CFD Bonds have been paid or defeased, then any such amounts shall be paid by the Trustee to the Authority to be used by the Authority for any lawful purpose.

### Reserve Fund

There shall be maintained in the Reserve Fund an amount equal to the Reserve Requirement. The Reserve Requirement will be satisfied by the delivery to the Trustee of the Reserve Policy on the Closing Date. The following terms and provisions shall govern with respect to the Reserve Policy, notwithstanding anything in the Indenture to the contrary:

The Authority and the Obligor (for each Community Facilities District up to its Proportionate Share) shall repay any draws under the Reserve Policy and pay all related reasonable expenses incurred by the Bond Insurer and shall pay interest thereon from the date of payment by the Bond Insurer at the Late Payment Rate. "Late Payment Rate means the lesser of: (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in the City of New York, as its prime or base lending rate ("Prime Rate") (any change in such Prime Rate to be effective on the date such change is announced by JPMorgan Chase Bank) plus 3%, and (ii) the then applicable highest rate of interest on the Bonds; and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. In the event JPMorgan Chase Bank ceases to announce its Prime Rate publicly, the term "Prime Rate" shall mean the publicly announced prime or base lending rate of such national bank as the Bond Insurer shall specify. If the interest provisions of this paragraph (a) result in an effective rate of interest which, for any period, exceeds the limit of the usury or any other laws applicable to the indebtedness created herein, then all sums in excess of those lawfully collectible as interest for the period in question shall, without further agreement or notice between or by any party hereto, be applied as additional interest for any later periods of time when amounts are outstanding under the Indenture to the extent that interest otherwise due under the Indenture for such periods plus such additional interest would not exceed the limit of the usury or such other laws, and any excess shall be applied upon principal immediately upon receipt of such moneys by the Bond Insurer, with the same force and effect as if the Authority had specifically designated such extra sums to be so applied and the Bond Insurer had agreed to accept such extra payment(s) as additional interest for such later periods. In no event shall any agreed-to or actual exaction as consideration for the indebtedness created herein exceed the limits imposed or provided by the law applicable to this transaction for the use or detention of money or for forbearance in seeking its collection.

Repayment of draws and payment of expenses and accrued interest thereon at the Late Payment Rate (collectively, "Policy Costs") shall commence in the first month following each

draw, and each such monthly payment shall be in an amount at least equal to 1/12 of the aggregate of Policy Costs related to such draw. Amounts in respect of Policy Costs paid to the Bond Insurer shall be credited first to interest due, then to the expenses due and then to principal due. As and to the extent that payments are made to the Bond Insurer on account of principal due, the coverage under the Reserve Policy will be increased by a like amount, subject to the terms of the Reserve Policy. The obligation to pay Policy Costs shall be secured by a valid lien on all revenues and other collateral pledged as security for the Bonds (subject only to the priority of payment provisions set forth under the Indenture). If the Authority and the Obligor fail to pay Policy Costs in accordance with the requirements of paragraph (a), the Bond Insurer shall be entitled to exercise any and all legal and equitable remedies available to it, including those provided under the Indenture, other than (i) acceleration of the maturity of the Bonds or (ii) remedies which would adversely affect owners of the Bonds. The Indenture shall not be discharged until all Policy Costs owing to the Bond Insurer have been paid in full. The Authority's obligation to pay such amounts shall expressly survive payment in full of the Bonds.

The Trustee shall ascertain the necessity for a claim upon the Reserve Policy in accordance with the foregoing provisions and to provide notice to the Bond Insurer in accordance with the terms of the Reserve Policy at least five business days prior to each date upon which interest or principal is due on the Bonds. Where deposits are required to be made by the Authority with the Trustee to the Reserve Account more often than semiannually, the Trustee shall give notice to the Bond Insurer of any failure of the Authority to make timely payment in full of such deposits within two business days of the date due.

The Authority or Obligor will pay or reimburse the Bond Insurer any and all charges, fees, costs, losses, liabilities and expenses which the Bond Insurer may pay or incur, including, but not limited to, fees and expenses of attorneys, accountants, consultants and auditors and reasonable costs of investigations, in connection with (i) any accounts established to facilitate payments under the Reserve Policy, (ii) the administration, enforcement, defense or preservation of any rights in respect of the Indenture or any document executed in connection with the Bonds (the "Related Documents"), including defending, monitoring or participating in any litigation or proceeding (including any bankruptcy proceeding in respect of the Authority) relating to the Indenture or any other Related Document, any party to the Indenture or any other Related Document or the transactions contemplated by the Related Documents, (iii) the foreclosure against, sale or other disposition of any collateral securing any obligations under the Indenture or any other Related Document, if any, or the pursuit of any remedies under the Indenture or any other Related Document, to the extent such costs and expenses are not recovered from such foreclosure, sale or other disposition, (iv) any amendment, waiver or other action with respect to, or related to the Indenture, the Reserve Policy or any other Related Document whether or not executed or completed, or (v) any action taken by the Bond Insurer to cure a default or termination or similar event (or to mitigate the effect thereof) under the Indenture or any other Related Document; costs and expenses shall include a reasonable allocation of compensation and overhead attributable to time of employees of the Bond Insurer spent in connection with the actions described in clauses (ii) through (v) above. The Bond Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Indenture or any other Related Document. Amounts payable by the Authority under the Indenture shall bear interest at the Late Payment Rate from the date such amount is paid or incurred by the Bond Insurer until the date the Bond Insurer is paid in full.

The obligation of the Authority and the Obligor to pay all amounts due to the Bond Insurer is an absolute and unconditional obligation of the Authority and will be paid or performed

strictly in accordance with the provisions of the Indenture, irrespective of (i) any lack of validity or enforceability of or any amendment or other modifications of, or waiver with respect to the Bonds, the Indenture or any other Related Document, or (ii) any amendment or other modification of, or waiver with respect to the Reserve Policy; (iii) any exchange, release or non-perfection of any security interest in property securing the Bonds, the Indenture or any other Related Documents; (iv) whether or not such Bonds are contingent or matured, disputed or undisputed, liquidated or unliquidated; (v) any amendment, modification or waiver of or any consent to departure from the Reserve Policy, the Indenture or all or any of the other Related Documents; (vi) the existence of any claim, setoff, defense (other than the defense of payment in full), reduction, abatement or other right which the Authority may have at any time against the Trustee or any other person or entity other than the Bond Insurer, whether in connection with the transactions contemplated herein or in any other Related Documents or any unrelated transactions; (vii) any statement or any other document presented under or in connection with the Reserve Policy proving in any and all respects invalid, inaccurate, insufficient, fraudulent or forged or any statement therein being untrue or inaccurate in any respect; or (viii) any payment by the Bond Insurer under the Reserve Policy against presentation of a certificate or other document which does not strictly comply with the terms of the Reserve Policy.

#### Provisions Relating to Investments of Moneys in the Funds and Accounts.

All moneys in any of the funds or accounts established with the Trustee pursuant to the Indenture shall be invested by the Trustee solely in Permitted Investments, as directed pursuant to the Request of the Authority filed with the Trustee at least two (2) Business Days in advance of the making of such investments. The Trustee shall be entitled to conclusively rely on any such Request of the Authority and shall be fully protected in relying thereon. In the absence of any such Request of the Authority the Trustee shall invest any such moneys in Permitted Investments described in clause (h) of the definition thereof provided, however, that any such investment shall be made by the Trustee only if, prior to the date on which such investment is to be made, the Trustee shall have received a Request of the Authority specifying a specific money market fund and, if no such Request of the Authority is so received, the Trustee shall hold such moneys uninvested. The Trustee shall be entitled to rely upon any investment directions from the Authority as conclusive certification to the Trustee that the investments described therein are so authorized under the laws of the State of California and qualify as Permitted Investments. Permitted Investments purchased as an investment of moneys in any fund or account established pursuant to the Indenture shall be deemed to be part of such fund or account.

All interest or gain derived from the investment of amounts in any of the funds or accounts established under the Indenture shall be deposited in the fund or account from which such investment was made.

#### Certain Covenants of the Authority.

*Punctual Payment.* The Authority shall punctually pay or cause to be paid the principal and interest and premium (if any) to become due in respect of all the Bonds, in strict conformity with the terms of the Bonds and of the Indenture, according to the true intent and meaning thereof, but only out of Revenues and other assets pledged for such payment as provided in the Indenture.

*Against Encumbrances.* The Authority shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Revenues and other assets pledged or

assigned under the Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by the Indenture and except as otherwise permitted by the Indenture. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, including other programs under the Refunding Bond Law, and reserves the right to issue other obligations for such purposes.

*CFD Bonds.* Subject to the provisions of the Indenture, the Authority and the Trustee shall use reasonable efforts to collect all amounts due from the City (for and on behalf of the CFDs) pursuant to the CFD Bonds and shall enforce, and take all steps, actions and proceedings which the Authority and Trustee determine to be reasonably necessary for the enforcement of all of the rights of the Authority thereunder and for the enforcement of all of the obligations and covenants of the City (for and on behalf of the CFDs thereunder). The Authority shall instruct the City (for and on behalf of the CFDs) to authenticate and deliver to the Trustee the CFD Bonds registered in the name of the Trustee.

The Authority, the Trustee, and the City may, with prior written notice to each Rating Agency then providing a rating on the Bonds (if any), at any time consent to, amend or modify any of the CFD Bonds pursuant to the terms thereof, (a) with the prior consent of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, or (b) without the consent of any of the Owners, if such amendment or modification is for any one or more of the following purposes

(a) to add to the covenants and agreements of the City contained in such CFD Bonds, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power therein reserved to or conferred upon the City; or

(b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in such CFD Bonds, or in any other respect whatsoever as the City may deem necessary or desirable, provided under any circumstances that such modifications or amendments shall not materially adversely affect the interests of the Owners of the Bonds in the opinion of Bond Counsel filed with the Trustee; or

(c) to amend any provision thereof to the extent necessary to comply with the Code, but only if and to the extent such amendment shall not, in and of itself, adversely affect the exclusion from gross income of the interest on any of the Bonds under the Code, in the opinion of Bond Counsel filed with the Trustee.

*Sale of CFD Bonds.* Notwithstanding anything in the Indenture to the contrary, the Authority may cause the Trustee to sell, from time to time, all or a portion of an issue of CFD Bonds, provided that the Authority shall deliver to the Trustee:

(a) a certificate of an Independent Accountant certifying that, following the sale of such CFD Bonds, the Revenues to be paid to the Authority (assuming the timely payment of amounts due thereon with respect to any CFD Bonds not then in default), together with interest and principal due on any noncallable Federal Securities pledged to the repayment of the Bonds and the Revenues then on deposit in the funds and accounts established under the Indenture (valuing any Permitted Investments held at the then Fair Market Value thereof), shall be sufficient to pay the principal of and interest on the Bonds when due;

(b) if any Bonds are then rated by any Rating Agency, a notification from such Rating Agency to the effect that such rating shall not be withdrawn or reduced as a result of such sale of CFD Bonds; and

(c) an opinion of Bond Counsel that such sale of CFD Bonds is authorized under the provisions of the Indenture and shall not adversely affect the exclusion of interest on the Bonds from gross income for purposes of federal income taxation.

Upon compliance with the foregoing conditions by the Authority, the Trustee shall sell such CFD Bonds in accordance with the Request of the Authority and disburse the proceeds of the sale of such CFD Bonds to the Authority or upon the receipt of a Request of the Authority shall deposit such proceeds in the Revenue Fund.

*Continuing Disclosure.* The Authority covenants and agrees that it shall cause the City to comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Indenture, failure of the City to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, any Original Purchaser or any holder or beneficial owner of the Bonds may, take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

#### *Tax Covenants.*

Private Activity Bond Limitation. The Authority shall assure that the proceeds of the Bonds are not used so as to cause the Bonds to satisfy the private business tests of Section 141(b) of the Code or the private loan financing test of Section 141(c) of the Code.

Federal Guarantee Prohibition. The Authority shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

No Arbitrage. The Authority shall not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the Bond proceeds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date, would have caused the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code.

Rebate of Excess Investment Earnings to United States. The Authority shall calculate or cause to be calculated excess investment earnings with respect to the Bonds which are required to be rebated to the United States of America pursuant to Section 148(f) of the Code, and shall pay the full amount of such excess investment earnings to the United States of America in such amounts, at such times and in such manner as may be required pursuant to the Code. Such payments shall be made by the Authority from any source of legally available funds of the Authority, including amounts deposited into the Rebate Fund, if any. The Authority shall keep or cause to be kept, and retain or cause to be retained for a period of six (6) years following the final payment of the Bonds, records of the determinations made pursuant to this subsection. In order to provide for the administration of this subsection), the Authority may provide for the employment of independent attorneys, accountants and consultants compensated on such reasonable basis as the Authority may deem appropriate.

Maintenance of Tax Exemption. The Authority shall take all actions necessary to assure the exclusion of interest on the Bonds from the gross income of the Owners thereof 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.

Record Retention. The Authority shall retain its records of all accounting and monitoring it carries out with respect to the Bonds for at least 3 years after the Bonds mature or are redeemed (whichever is earlier); however, if the Bonds are redeemed and refunded, the Authority shall retain its records of accounting and monitoring at least 3 years after the earlier of the maturity or redemption of the obligations that refunded the Bonds.

Compliance with Tax Certificate. The Authority shall comply with the provisions of the Tax Certificate and the Use of Proceeds Certificate with respect to the Bonds, which are incorporated herein as if fully set forth herein. The covenants of this Section shall survive payment in full or defeasance of the Bonds.

#### Amendment of the Indenture.

*Amendment With Consent of Owners.* The Indenture and the rights and obligations of the Authority and of the Owners of the Bonds may, with prior written notice to each Rating Agency then providing a rating on the Bonds (if any) and with the prior written consent of the Bond Insurer, be modified or amended at any time by a Supplemental Indenture which shall become binding when the prior written consent of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding are filed with the Trustee. No such modification or amendment shall (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Authority to pay the principal, interest or redemption premiums at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the Owner of such Bond, (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification, or (c) without written consent of the Trustee, modify any of the rights or obligations of the Trustee.

*Amendment Without Consent of Owners.* The Indenture and the rights and obligations of the Authority and of the Owners of the Bonds may, with prior written notice to each Rating Agency then providing a rating on the Bonds (if any), also be modified or amended at any time by a Supplemental Indenture which shall become binding upon adoption, without consent of any Bond Owners but with the prior written consent of the Bond Insurer, to the extent permitted by law but only for any one or more of the following purposes

(a) to add to the covenants and agreements of the Authority contained in the Indenture, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or powers herein reserved to or conferred upon the Authority so long as such addition, limitation or surrender of such rights or powers shall not materially adversely affect the Owners of the Bonds; or

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

(c) to amend any provision relating to the Code as may be necessary or appropriate to assure compliance with the Code and the exclusion from gross income of interest on the Bonds; or

(d) to amend any provision to place any Additional Bonds on a parity with the Bonds for all purposes of the Indenture, including, but not limited to, for the purpose of exercising all rights and remedies under the Indenture; or

(e) to amend the provisions of the Indenture related to the Surplus Fund.

*Amendment by Mutual Consent.* Any Bond Owner may accept any amendment as to the particular Bond held by such Owner, provided that due notation thereof is made on such Bond.

#### Events of Default and Remedial Action.

The following events are Events of Default under the Indenture:

(a) Default in the due and punctual payment of the principal of any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise.

(b) Default in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable.

(c) Default by the Authority in the observance of any of the other covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, if such default shall have continued for a period of 60 days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Authority by the Trustee, or the Bond Insurer or to the Authority and the Trustee by the Bond Insurer or the Owners of not less than 25% in aggregate principal amount of the Bonds at the time Outstanding; provided that such default (other than a default arising from nonpayment of the Trustee's fees and expenses, which must be cured within such 60 day period unless waived by the Trustee) shall not constitute an Event of Default if the Authority shall commence to cure such default within said 60 day period and thereafter diligently and in good faith shall cure such default within a reasonable period of time; or

(d) Default under either CFD Bond Indenture.

For purposes of determining whether any Event of Default has occurred under and as described in the preceding clauses (a) or (b), no effect shall be given to payments made by the Bond Insurer under the Bond Insurance Policy or the Reserve Policy.

Upon the occurrence of an Event of Default, the Trustee may pursue any available remedy at law or in equity to enforce the payment of the principal of, premium, if any, and interest on the Outstanding Bonds, and to enforce any rights of the Trustee under or with respect to the Indenture. In the event of an Event of Default arising out of a nonpayment of Trustee's fees and expenses, the Trustee may sue the Authority to seek recovery of its fees and expenses; provided, however, that such recovery may be made only from Revenues. If an

Event of Default shall have occurred and be continuing and if requested to do so by the Owners of at least 25% in aggregate principal amount of Outstanding Bonds, and, in each case, if indemnified as provided in the Indenture, the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by the Indenture and, as applicable, under the CFD Bonds, as the Trustee, being advised by counsel, shall deem most expedient in the interests of the Bond Owners.

No remedy by the terms of the Indenture conferred upon or reserved to the Trustee (or to the Bond Owners) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or to the Bond Owners under the Indenture or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or acquiescence therein; such right or power may be exercised from time to time as often as may be deemed expedient.

Anything in the Indenture to the contrary notwithstanding, upon the occurrence and continuation of an Event of Default, the Bond Insurer is entitled to control and direct the enforcement of all rights and remedies granted under the Indenture to the Insured Bond Owners, or to the Trustee for the benefit of the Insured Bond Owners, including but not limited to rights and remedies granted under the Indenture and including but not limited to the right to approve all waivers of any Events of Default. The rights granted to the Bond Insurer under the Indenture shall be deemed terminated and may not be exercisable by the Bond Insurer during any period during which the Bond Insurer is in default under the Bond Insurance Policy or the Reserve Policy

#### Limited Liability of Authority.

Notwithstanding anything in the Indenture contained, the Authority shall not be required to advance any moneys derived from any source of income other than the Revenues for the payment of the principal of or interest on the Bonds, or any premiums upon the redemption thereof, or for the performance of any covenants in the Indenture contained (except to the extent any such covenants are expressly payable under the Indenture from the Revenues). The Authority may, however, advance funds for any such purpose, provided that such funds are derived from a source legally available for such purpose and may be used by the Authority for such purpose without incurring indebtedness.

The Bonds shall be revenue bonds, payable exclusively from the Revenues and other funds as in the Indenture provided. The general fund of the Authority is not liable, and the credit of the Authority is not pledged, for the payment of the interest and premium (if any) on or principal of the Bonds. The Owners of the Bonds shall never have the right to compel the forfeiture of any property of the Authority. The principal of and interest on the Bonds, respectively, and any premiums upon the redemption of any thereof, shall not be a legal or equitable pledge, charge, lien or encumbrance upon any property of the Authority or upon any of its income, receipts or revenues except the Revenues and other funds pledged to the payment thereof as in the Indenture provided.

#### Discharge of Indenture.

If the Authority shall pay and discharge any or all of the Outstanding Bonds 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 premium (if any) on such Bonds, as and when the same become due and payable;

(b) by irrevocably depositing with the Trustee, in trust, at or before maturity, money which, together with the available amounts then on deposit in the funds and accounts established with the Trustee and available for such purpose, is fully sufficient to pay such Bonds; or

(c) by irrevocably depositing with the Trustee or any other fiduciary, in trust, Federal Securities in such amount as an Independent Accountant determines shall, together with the interest to accrue thereon and available moneys then on deposit in the funds and accounts established with the Trustee and available for such purpose, be fully sufficient to pay and discharge the indebtedness on such Bonds at or before their respective maturity dates;

then any such Outstanding Bond or Bonds shall be deemed to have been paid and discharged; provided, however, that any such Outstanding Bond or Bonds shall be deemed to have been paid under paragraph (c) above only if (i) in the case of Bonds to be redeemed prior to the maturity thereof, notice of such redemption shall have been mailed pursuant to the Indenture or provision satisfactory to the Trustee shall have been made for the mailing of such notice, (ii) a verification report of an Independent Accountant shall be delivered to the Trustee and the Bond Insurer, and (iii) an opinion of Bond Counsel shall be delivered to the Trustee in the case of a defeasance of Bonds, to the effect that the requirements of the Indenture have been satisfied with respect to such discharge of such Bonds. Upon a discharge of one or more Bonds as described above, and notwithstanding that any of such Bonds shall not have been surrendered for payment, the pledge of the Revenues, and other funds provided for in the Indenture with respect to such Bonds, and all other pecuniary obligations of the Authority under the Indenture with respect to such Bonds, as applicable, shall cease and terminate, except only the obligation of the Authority to comply with the covenants contained in the Indenture, to pay or cause to be paid to the Owners of such Bonds not so surrendered and paid all sums due thereon from amounts set aside for such purpose, to pay all expenses and costs of the Trustee and to comply with the covenants contained in the Indenture. Any funds thereafter held by the Trustee, which are not required for said purposes, shall be paid over to the Authority or upon a Request of the Authority to the City.

Defeasance shall be accomplished only with an irrevocable deposit in escrow of certain investments referred to above. Further substitutions of securities in the escrow are not permitted. The deposit in the escrow must be sufficient, without reinvestment, to pay all principal and interest as scheduled on the Bonds to and including the date of redemption. Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or prepayable prior to maturity or earlier redemption of the rated debt (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

Notwithstanding the foregoing provisions, in the event that the principal, interest and premium (if any) on the Insured Bonds are paid by the Bond Insurer under the Bond Insurance Policy, the obligations of the Trustee and the Authority shall continue in full force and effect and the Bond Insurer shall be fully subrogated to the rights of all Owners of the Insured Bonds so paid. In addition, the obligations of the Trustee and the Authority under the Indenture shall continue in full force and effect, and shall not be terminated, until such time as the Authority shall have paid all amounts (if any) as shall be due and owing to the Bond Insurer under the Bond Insurance Policy;

and the Trustee shall not distribute any funds to the Authority under the preceding paragraph unless the Authority shall have certified to the Trustee that there are no obligations then due and owing by the Authority to the Bond Insurer under the Bond Insurance Policy. The Indenture shall not be discharged unless all amounts due or to become due to the Bond Insurer have been paid in full or duly provided for.

Payment on, and Conditions of, Bond Insurance Policy.

The following terms and provisions shall govern with respect to the Bond Insurance Policy, notwithstanding anything in the Indenture to the contrary.

The Bond Insurer shall be deemed to be the sole holder of the Insured Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the Insured Bonds insured by it are entitled to take pursuant to the Indenture pertaining to (i) defaults and remedies and (ii) the duties and obligations of the Trustee. In furtherance thereof and as a term of the Indenture and each Insured Bond, the Trustee and each Insured Bondholder appoint the Bond Insurer as their agent and attorney-in-fact and agree that the Bond Insurer may at any time during the continuation of any proceeding by or against the Authority or Obligor under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding") direct all matters relating to such Insolvency Proceeding, including without limitation, (A) all matters relating to any claim or enforcement proceeding in connection with an Insolvency Proceeding (a "Claim"), (B) the direction of any appeal of any order relating to any Claim, (C) the posting of any surety, supersede as or performance bond pending any such appeal, and (D) the right to vote to accept or reject any plan of adjustment. In addition, the Trustee and each Insured Bondholder delegate and assign to the Bond Insurer, to the fullest extent permitted by law, the rights of the Trustee and each Insured Bondholder in the conduct of any Insolvency Proceeding, including, without limitation, all rights of any party to an adversary proceeding or action with respect to any court order issued in connection with any such Insolvency Proceeding. Remedies granted to the Insured Bondholders shall expressly include mandamus.

The rights granted to the Bond Insurer under the Indenture or any other Related Document to request, consent to or direct any action are rights granted to the Bond Insurer in consideration of its issuance of the Bond Insurance Policy. Any exercise by the Bond Insurer of such rights is merely an exercise of the Bond Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the Insured Bond Owners and such action does not evidence any position of the Bond Insurer, affirmative or negative, as to whether the consent of the Insured Bond Owners or any other person is required in addition to the consent of the Bond Insurer. Each obligation of the Authority to the Bond Insurer under the Related Documents shall survive discharge or termination of such Related Documents.

The Authority shall pay or reimburse the Bond Insurer any and all charges, fees, costs and expenses that the Bond Insurer may reasonably pay or incur in connection with (i) the administration, enforcement, defense or preservation of any rights or security in any Related Document; (ii) the pursuit of any remedies under the Indenture or any other Related Document or otherwise afforded by law or equity, (iii) any amendment, waiver or other action with respect to, or related to, the Indenture or any other Related Document whether or not executed or completed, or (iv) any litigation or other dispute in connection with the Indenture or any other Related Document or the transactions contemplated thereby, other than costs resulting from the failure of the Bond Insurer to honor its obligations under the Bond Insurance Policy. The Bond

Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Indenture or any other Related Document. After payment of reasonable expenses of the Trustee, the application of funds realized upon default shall be applied to the payment of expenses of the Authority or rebate only after the payment of past due and current debt service on the Insured Bonds and amounts required to restore the Reserve Fund to the Reserve Requirement.

If, on the third Business Day prior to an Interest Payment Date (the "Payment Date"), there is not on deposit with the Trustee, after making all transfers and deposits required under the Indenture, moneys sufficient to pay the principal of and interest on the Insured Bonds due on such Interest Payment Date, the Trustee shall give notice to the Bond Insurer and to its designated agent (if any) (the "Insurer's Fiscal Agent") by telephone or telecopy of the amount of such deficiency by 12:00 noon, New York City time, on such Business Day. If, on the second Business Day prior to the related Interest Payment Date, there continues to be a deficiency in the amount available to pay the principal of and interest on the Insured Bonds due on such Interest Payment Date, the Trustee shall make a claim under the Bond Insurance Policy and give notice to the Bond Insurer and the Bond Insurer's Fiscal Agent (if any) by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest on the Insured Bonds and the amount required to pay principal of the Insured Bonds, confirmed in writing to the Bond Insurer and the Bond Insurer's Fiscal Agent by 12:00 noon, New York City time, on such second Business Day by filling in the form of Notice of Claim and Certificate delivered with the Bond Insurance Policy.

The Trustee shall designate any portion of payment of principal on Insured Bonds paid by the Bond Insurer, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Insured Bonds registered to the then current Bond Owner, whether DTC or its nominee or otherwise, and shall issue a replacement Insured Bond to the Bond Insurer, registered in the name of Assured Guaranty Municipal Corp., in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Insured Bond shall have no effect on the amount of principal or interest payable by the Authority on any Insured Bond or the subrogation rights of the Bond Insurer.

The Trustee shall keep a complete and accurate record of all funds deposited by the Bond Insurer into the Policy Payments Account (defined below) and the allocation of such funds to payment of interest on and principal of any Insured Bond. The Bond Insurer shall have the right to inspect such records at reasonable times upon reasonable notice to the Trustee.

Upon payment of a claim under the Bond Insurance Policy, the Trustee shall establish a separate special purpose trust account for the benefit of Bond Owners referred to herein as the "Policy Payments Account" and over which the Trustee shall have exclusive control and sole right of withdrawal. The Trustee shall receive any amount paid under the Bond Insurance Policy in trust on behalf of Bond Owners and shall deposit any such amount in the Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Trustee to Bond Owners in the same manner as principal and interest payments are to be made with respect to the Insured Bonds under the sections hereof regarding payment of Insured Bonds. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments. Notwithstanding anything herein to the contrary, the Authority agrees to pay to the Bond Insurer (i) a sum equal

to the total of all amounts paid by the Bond Insurer under the Bond Insurance Policy (the "Insurer Advances"); and (ii) interest on such Insurer Advances from the date paid by the Bond Insurer until payment thereof in full, payable to the Bond Insurer at the Late Payment Rate per annum (collectively, the "Insurer Reimbursement Amounts"). "Late Payment Rate" means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in The City of New York, as its prime or base lending rate (any change in such rate of interest to be effective on the date such change is announced by JPMorgan Chase Bank) plus 3%, and (ii) the then applicable highest rate of interest on the Insured Bonds and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. The Authority hereby covenants and agrees that the Bond Insurer Reimbursement Amounts are secured by a lien on and pledge of the Revenues and payable from such Revenues on a parity with debt service due on the Insured Bonds.

Funds held in the Policy Payments Account shall not be invested by the Trustee and may not be applied to satisfy any costs, expenses or liabilities of the Trustee. Any funds remaining in the Policy Payments Account following an Insured Bond payment date shall promptly be remitted to the Bond Insurer. The Bond Insurer shall be provided with certain information by the Authority or Trustee, as the case may be, including information as requested.

## **BOND INDENTURES RELATING TO THE CFD BONDS**

*The following is a summary of certain provisions of the CFD Bond Indentures relating to the CFD Bonds not otherwise described in the text of this Official Statement. Such summary is not intended to be definitive, and reference is made to the full text of the CFD Bond Indentures for the complete terms thereof.*

Certain Definitions: Unless otherwise indicated, capitalized terms used below but not defined below have the same meaning given those terms in Indenture of Trust relating to the Bonds.

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

“Administrative Expenses” means any or all of the following:

(a) the expenses directly related to the administration of the CFD, including, but not limited to, the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the City or a designee thereof or both); the costs of collecting the Special Taxes (whether by the County, the City or otherwise); the costs of remitting the Special Taxes to the Trustee; the costs associated with preparing Special Tax disclosure statements and responding to the public inquiries regarding the Special Taxes; the costs of the City, the CFD or any designee thereof related to an appeal of the Special Tax;

(b) the costs of the Trustee (including its legal counsel) in the discharge of the duties of the Trustee pertaining to the CFD Bonds required under the Bond Indenture and any Supplemental Indenture;

(c) the costs of the City or any designee thereof of complying with the City, the CFD, the Authority or obligated person disclosure requirements associated with applicable federal or state securities laws of the Act pertaining to the bonds;

(d) a Proportionate Share of the Authority Administrative Expenses;

(e) any amounts required to be rebated to the federal government; and

(f) all other costs and expenses of the City (including, but not limited to, an allocable share of the salaries of the City staff directly related to the foregoing, a proportionate amount of City general administrative overhead related to the foregoing, and amounts advanced by the City for any administrative purpose of the CFD, including costs related to prepayments of Special Taxes, recordings related to such prepayments and satisfaction of Special Taxes, amounts advanced to ensure maintenance of tax exemption, and the costs of prosecuting foreclosure of delinquent Special Taxes, which amounts advanced are subject to reimbursement from other sources, including proceeds of foreclosure) and the Trustee incurred in connection with the discharge of their respective duties under the Bond Indenture and in any way related to the administration of the CFD and all actual costs and expenses incurred in connection with the administration of the CFD Bonds.

“Annual Debt Service” means the principal amount of any Outstanding CFD Bonds or Parity Bonds payable in a Bond Year either at maturity or pursuant to a Sinking Fund Payment and any interest payable on any Outstanding CFD Bonds or Parity Bonds in such Bond Year, if the CFD Bonds and any Parity Bonds are retired as scheduled.

“Authorized Representative of the City” means the Mayor, City Manager, Finance Director or City Clerk, or any other person or persons designated by a written certificate signed on behalf of the City by the City Manager or Finance Director of the City and containing the specimen signature of each such person.

“Bond Register” means the books which the Trustee shall keep or cause to be kept on which the registration and transfer of the CFD Bonds and any Parity Bonds shall be recorded.

“Bondowner” or “Owner” means the person or persons in whose name or names any CFD Bond or Parity Bond is registered.

“Bond Year” means the twelve month period commencing on September 2 of each year and ending on September 1 of the following year, except that the first Bond Year for the CFD Bonds or an issue of Parity Bonds shall begin on the Delivery Date and end on the first September 1 which is not more than 12 months after the Delivery Date.

“Certificate of an Authorized Representative” means a written certificate or warrant request executed by an Authorized Representative of the City.

“Finance Director” means the official of the City, or such official’s designee, who acts in the capacity as the chief financial officer of the City, including the controller or other financial officer.

“Independent Financial Consultant” means a financial consultant or firm of such consultants generally recognized to be well qualified in the financial consulting field, appointed and paid by the City, who, or each of whom:

- (1) is in fact independent and not under the domination of the City;
- (2) does not have any substantial interest, direct or indirect, in the City; and
- (3) is not connected with the City as a member, officer or employee of the City, but who may be regularly retained to make annual or other reports to the City.

“Maximum Annual Debt Service” means the maximum sum obtained for any Bond Year prior to the final maturity of the CFD Bonds and any Parity Bonds by adding the following for each Bond Year:

- (1) the principal amount of all Outstanding CFD Bonds and Parity Bonds payable in such Bond Year either at maturity or pursuant to a Sinking Fund Payment; and
- (2) the interest payable on the aggregate principal amount of all CFD Bonds and Parity Bonds Outstanding in such Bond Year if the CFD Bonds and Parity Bonds are retired as scheduled.

“Ordinance” means any ordinance of the City levying the Special Taxes in the CFD.

“Outstanding” or “Outstanding CFD Bonds and Parity Bonds” means all CFD Bonds and Parity Bonds theretofore issued by the City, except:

(1) CFD Bonds and Parity Bonds theretofore cancelled or surrendered for cancellation in accordance with the Bond Indenture;

(2) CFD Bonds and Parity Bonds for payment or redemption of which monies shall have been theretofore deposited in trust (whether upon or prior to the maturity or the redemption date of such CFD Bonds or Parity Bonds), provided that, if such CFD Bonds or Parity Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in the Bond Indenture or any applicable Supplemental Indenture for Parity Bonds; and

(3) CFD Bonds and Parity Bonds which have been surrendered to the Trustee for transfer or exchange pursuant to the Bond Indenture or for which a replacement has been issued pursuant to the Bond Indenture.

"Parity Bonds" means bonds issued pursuant to the Bond Indenture that are payable from Special Tax Revenues and other amounts deposited in the Special Tax Fund and secured by a lien and charge upon such amounts equal to the lien and charge securing the CFD Bonds.

“Prepayments” means any amounts paid by the City to the Trustee and designated by the City as a prepayment of Special Taxes for one or more parcels in the CFD made in accordance with the Rate and Method of Apportionment of Special Taxes attached to the Resolution of Formation.

“Resolution of Formation” means the resolution adopted by the City Council of the City pursuant to which the City formed the CFD.

“Special Taxes” means the taxes authorized to be levied by the City on property within the CFD in accordance with the Ordinance, the Resolution of Formation, the Act and the voter approval obtained at an election in the CFD.

"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.

Security for the CFD Bonds.

Pursuant to the Act and the Bond Indenture, the CFD Bonds and any Parity Bonds shall be equally payable from the Special Tax Revenues and other amounts in the Special Tax Fund (exclusive of the Administrative Expense Account), without priority for number, date of the CFD Bonds or Parity Bonds, date of sale, date of execution, or date of delivery, and the payment of the interest on and principal of the CFD Bonds and any Parity Bonds and premiums upon the redemption thereof, shall be exclusively paid from the Special Tax Revenues and other amounts in the Special Tax Fund (exclusive of the Administrative Expense Account), which are set aside for the payment of the CFD Bonds and any Parity Bonds.

Amounts in the Special Tax Fund (other than the Administrative Expense Account therein) shall constitute a trust fund held for the benefit of the Owners to be applied to the payment of the interest on and principal of the CFD Bonds and any Parity Bonds and so long as any of the CFD Bonds and any Parity Bonds or interest thereon remain Outstanding shall not be used for any other purpose, except as permitted by the Bond Indenture or any Supplemental Indenture. Notwithstanding any provision contained in the Bond Indenture to the contrary, Special Tax Revenues deposited in the Rebate Fund and the Surplus Fund shall no longer be considered to be pledged to the CFD Bonds or any Parity Bonds, and none of the Rebate Fund, the Surplus Fund, or the Administrative Expense Account of the Special Tax Fund shall be construed as a trust fund held for the benefit of the Owners.

Nothing in the Bond Indenture or any Supplemental Indenture shall preclude: (a) the redemption prior to maturity of any CFD Bonds or Parity Bonds subject to call and redemption and payment of said CFD Bonds or Parity Bonds from proceeds of refunding bonds issued under the Act as the same now exists or as hereafter amended, or under any other law of the State of California; or (b) the issuance, subject to the limitations contained in the Bond Indenture, of Parity Bonds which shall be payable from Special Tax Revenues.

#### Accounts Within the Special Tax Fund; Flow of Funds.

*Interest Account and Principal Account of the Special Tax Fund.* The principal of and interest due on the CFD Bonds and any Parity Bonds until maturity, other than principal due upon redemption, shall be paid by the Trustee from the Principal Account and the Interest Account of the Special Tax Fund, respectively. For the purpose of assuring that the payment of principal of and interest on the CFD Bonds and any Parity Bonds will be made when due, at least five Business Days prior to each March 1 and September 1, the Trustee shall transfer from the Special Tax Fund, first to the Interest Account and then to the Principal Account, the amount required to pay interest on and principal of the CFD Bonds on the immediately succeeding March 1 or September 1; provided, however, that to the extent that deposits have been made in the Interest Account or the Principal Account from the proceeds of the sale of an issue of the CFD Bonds, any Parity Bonds, or otherwise, the transfer from the Special Tax Fund need not be made.

*Redemption Account of the Special Tax Fund.* With respect to each September 1 on which a Sinking Fund Payment is due, after the deposits have been made to the Interest Account and the Principal Account of the Special Tax Fund, the Trustee shall next transfer into the Redemption Account of the Special Tax Fund from the Special Tax Fund the amount needed to make the balance in the Redemption Account five Business Days prior to each September 1 equal to the Sinking Fund Payment due on any Outstanding CFD Bonds and Parity Bonds on such September 1. Moneys so deposited in the Redemption Account shall be used and applied by the Trustee to call and redeem Term CFD Bonds in accordance with the Sinking Fund Payment schedule set forth in the Bond Indenture, and to redeem Parity Bonds in accordance with any Sinking Fund Payment schedule set forth in the Supplemental Indenture for such Parity Bonds.

After making the deposits to the Interest Account, the Principal Account, and the Redemption Account for Sinking Fund Payments then due, and in accordance with the City's election to call CFD Bonds for optional redemption, or to call Parity Bonds for optional redemption as set forth in any Supplemental Indenture for Parity Bonds, the Trustee shall transfer from the Special Tax Fund and deposit in the Redemption Account moneys available for the purpose and sufficient to pay the principal and the premiums, if any, payable on the CFD

Bonds or Parity Bonds called for optional redemption; provided, however, that amounts in the Special Tax Fund may be applied to optionally redeem CFD Bonds and Parity Bonds only if immediately following such redemption the amount in the applicable Reserve Accounts of the Reserve Funds will equal the Proportionate Share of the Reserve Requirement.

Moneys set aside in the Redemption Account shall be used solely for the purpose of redeeming CFD Bonds and Parity Bonds and shall be applied on or after the redemption date to the payment of principal of and premium, if any, on the CFD Bonds or Parity Bonds to be redeemed upon presentation and surrender of such CFD Bonds or Parity Bonds and in the case of an optional redemption or an extraordinary redemption from Prepayments to pay the interest thereon; provided, however, that in lieu or partially in lieu of such call and redemption, moneys deposited in the Redemption Account, other than Prepayments, may be used to purchase Outstanding CFD Bonds or Parity Bonds in the manner in the Bond Indenture after provided. Purchases of Outstanding CFD Bonds or Parity Bonds may be made by the City at public or private sale as and when and at such prices as the City may in its discretion determine but only at prices (including brokerage or other expenses) not more than par plus accrued interest, plus, in the case of moneys set aside for an optional redemption, the premium applicable at the next following call date according to the premium schedule established pursuant to the Bond Indenture, or in the case of Parity Bonds the premium established in any Supplemental Indenture. Any accrued interest payable upon the purchase of CFD Bonds or Parity Bonds may be paid from the amount reserved in the Interest Account of the Special Tax Fund for the payment of interest on the next following Interest Payment Date.

*Administrative Expense Account of the Special Tax Fund.* The Trustee shall transfer from the Special Tax Fund and deposit in the Administrative Expense Account of the Special Tax Fund from time to time amounts necessary to make timely payment of Administrative Expenses; provided, however, that the provided that such transfers shall not be in excess of the portion of the Special Tax revenues collected by the City that represent levies for Administrative Expenses.

Following the required transfers of amounts sufficient to pay the interest and principal on all Bonds due in a Bond Year and to restore the Authority Reserve Funds to the respective Reserve Requirement, an Authorized Representative of the City may direct the Trustee, in writing, to transfer additional amounts from the Special Tax Fund to the Administrative Expense Account. Moneys in the Administrative Expense Account of the Special Tax Fund may be invested in any Authorized Investments as directed in writing by an Authorized Representative of the City and shall be disbursed as directed in a Certificate of an Authorized Representative.

*Surplus Fund.* After making the transfers described above, as soon as practicable after each September 1, and in any event prior to each October 1, the Trustee shall transfer all remaining amounts in the Special Tax Fund to the Surplus Fund, unless on or prior to such date, it has received a Certificate of an Authorized Representative of the City directing that certain amounts be retained in the Special Tax Fund because the City has assumed such amounts would be available in the Special Tax Fund in calculating the amount of the levy of Special Taxes for such Fiscal Year.

Moneys deposited in the Surplus Fund will be transferred by the Trustee at the direction of an Authorized Representative of the City as follows:

- (i) to the Interest Account, the Principal Account or the Redemption Account of the Special Tax Fund to pay the principal of, including Sinking Fund Payments,

premium, if any, and interest on the CFD Bonds and any Parity Bonds when due in the event that moneys in the Special Tax Fund are insufficient therefor,

(ii) to the applicable Reserve Accounts in order to replenish the applicable Reserve Accounts to the Proportionate Share Reserve Requirement,

(iii) to the Administrative Expense Account of the Special Tax Fund to pay Administrative Expenses to the extent that the amounts on deposit in the Administrative Expense Account of the Special Tax Fund are insufficient to pay Administrative Expenses, and

(iv) for any other lawful purpose of the City.

The amounts in the Surplus Fund are not pledged to the repayment of the CFD Bonds or the Parity Bonds and may be used by the City for any lawful purpose.

### Investments.

Moneys held in any of the Funds, Accounts and Subaccounts under the Bond Indenture shall be invested at the written direction of the City in accordance with the limitations set forth below only in Authorized Investments which shall be deemed at all times to be a part of such Funds, Accounts and Subaccounts. Any loss resulting from such Authorized Investments shall be credited or charged to the Fund, Account or Subaccount from which such investment was made, and any investment earnings on amounts deposited in the Special Tax Fund and the Surplus Fund, and each Account therein, shall be deposited in those respective Funds and Accounts.

Moneys in the Funds, Accounts and Subaccounts held under the Bond Indenture may be invested by the Trustee as directed in writing by the City, from time to time, in Authorized Investments subject to the following restrictions:

(a) Moneys in the Interest Account, the Principal Account, and the Redemption Account of the Special Tax Fund shall be invested only in Authorized Investments which will by their terms mature, or in the case of an Investment Agreement are available for withdrawal without penalty, on such dates so as to ensure the payment of principal of, premium, if any, and interest on the CFD Bonds as the same become due.

(b) In the absence of written investment directions from the City, the Trustee shall invest solely in Authorized Investments specified in clause (f) of the definition thereof.

The Trustee shall sell, or present for redemption, any Authorized Investment whenever it may be necessary to do so in order to provide moneys to meet any payment or transfer to such Funds and Accounts or from such Funds and Accounts. For the purpose of determining at any given time the balance in any such Funds and Accounts, any such investments constituting a part of such Funds and Accounts shall be valued at their cost. In making any valuations under the Bond Indenture, the Trustee may utilize such computerized securities pricing services as may be available to it, including, without limitation, those available through its regular accounting system, and conclusively rely thereon. Notwithstanding anything in the Bond Indenture to the

contrary, the Trustee shall not be responsible for any loss from investments, sales or transfers undertaken in accordance with the provisions of the Bond Indenture.

#### Redemption of CFD Bonds.

*Optional Redemption and Extraordinary Redemption.* Subject to the provisions of the Bond Indenture summarized in "Certification of Independent Financial Consultant" below, certain of the CFD Bonds may be redeemed, at the option of the City from any source of funds on certain dates, in whole, or in part and by lot, at a redemption price set forth in the Bond Indentures. Subject to the provisions of the Highland Reserve North CFD Bond Indenture summarized in "Certification of Independent Financial Consultant" below, the Highland Reserve North CFD Bonds are subject to extraordinary redemption as a whole, or in part on a pro rata basis among maturities, on any Interest Payment Date, and shall be redeemed by the Trustee, from Prepayments deposited to the Redemption Account at the redemption prices set forth in the Highland Reserve North Bond Indenture.

*Selection of CFD Bonds and Parity Bonds for Redemption.* If less than all of the CFD Bonds or Parity Bonds Outstanding are to be redeemed, the portion of any Bond or Parity Bond of a denomination of more than \$1,000 to be redeemed shall be in the principal amount of \$1,000 or an integral multiple thereof. In selecting portions of such CFD Bonds or Parity Bonds for redemption, the Trustee shall treat such CFD Bonds or Parity Bonds, as applicable, as representing that number of CFD Bonds or Parity Bonds of \$1,000 denominations which is obtained by dividing the principal amount of such CFD Bonds or Parity Bonds to be redeemed in part by \$1,000. The procedure for the selection of Parity Bonds for redemption may be modified as set forth in the Supplemental Indenture for such Parity Bonds. The Trustee shall promptly notify the City in writing of the CFD Bonds or Parity Bonds, or portions thereof, selected for redemption.

*Notice of Redemption.* When CFD Bonds or Parity Bonds are due for redemption or under another redemption provision set forth in a Supplemental Indenture relating to any Parity Bonds, the Trustee shall give notice, in the name of the City, of the redemption of such CFD Bonds or Parity Bonds. The City may instruct the Trustee to specify in the redemption notice that such redemption may be subject to receipt of funds sufficient to accomplish the redemption. Such notice of redemption shall (a) specify the CUSIP numbers (if any), the bond numbers and the maturity date or dates of the CFD Bonds or Parity Bonds selected for redemption, except that where all of the CFD Bonds or all of an issue of Parity Bonds are subject to redemption, or all the CFD Bonds or Parity Bonds of one maturity, are to be redeemed, the bond numbers of such issue need not be specified; (b) state the date fixed for redemption and surrender of the CFD Bonds or Parity Bonds to be redeemed; (c) state the redemption price; (d) state the place or places where the CFD Bonds or Parity Bonds are to be redeemed; (e) in the case of CFD Bonds or Parity Bonds to be redeemed only in part, state the portion of such Bond or Parity Bond which is to be redeemed; (f) state the date of issue of the CFD Bonds or Parity Bonds as originally issued; (g) state the rate of interest borne by each Bond or Parity Bond being redeemed; and (h) state any other descriptive information needed to identify accurately the CFD Bonds or Parity Bonds being redeemed as shall be specified by the Trustee. Such notice shall further state that on the date fixed for redemption, there shall become due and payable on each Bond, Parity Bond or portion thereof called for redemption, the principal thereof, together with any premium, and interest accrued to the redemption date, and that from and after such date, interest thereon shall cease to accrue and be payable. At least 30 days but no more than 45 days prior to the redemption date, the Trustee shall mail a copy of such notice, by first class mail, postage prepaid, to the respective Owners thereof at their addresses appearing on the

Bond Register. The actual receipt by the Owner of any Bond or Parity Bond of notice of such redemption shall not be a condition precedent to redemption, and neither the failure to receive nor any defect in such notice shall affect the validity of the proceedings for the redemption of such CFD Bonds or Parity Bonds, or the cessation of interest on the redemption date. A certificate by the Trustee that notice of such redemption has been given as in the Bond Indenture provided shall be conclusive as against all parties and the Owner shall not be entitled to show that he or she failed to receive notice of such redemption.

Any such redemption notice may specify that redemption on the specified date will be subject to receipt by the City of moneys sufficient to cause such redemption, and neither the City nor the Trustee shall have any liability to the Owners or any other party as a result of its failure to redeem the CFD Bonds as a result of insufficient moneys.

In addition to the foregoing notice, further notice shall be given by the Trustee as set out below, but only if the CFD Bonds or Parity Bonds are not owned by the Authority at the time the notice of redemption is given, provided that no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed.

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

*Certification of Independent Financial Consultant.* The City shall not be authorized to redeem bonds pursuant to the Optional Redemption or Special Redemption provisions of the Bond Indenture unless it has provided the Trustee with a certificate of an Independent Financial Consultant to the effect that the proposed redemption, assuming a corresponding redemption of the Authority CFD Bonds, and assuming continuing payment of Special Taxes by property owners not then in default, will not adversely impact the availability of Revenues (as defined in the Authority Indenture) in an amount sufficient to pay debt service on the Authority CFD Bonds, as scheduled.

#### Certain Covenants of the City.

In addition to the covenants summarized in this Official Statement, the City has covenanted in the Bond Indentures as follows:

##### *Tax Covenants.*

Private Activity Bond Limitation. The City shall assure that the proceeds of the CFD Bonds are not so used as to cause the Authority CFD Bonds to satisfy the private business tests of section 141(b) of the Code or the private loan financing test of section 141(c) of the Code.

Federal Guarantee Prohibition. The City shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the Authority CFD Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code.

Rebate Requirement. The City shall take any and all actions necessary to assure compliance with section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Authority Bonds.

No Arbitrage. The City shall not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the CFD Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the CFD Bonds would have caused the Authority CFD Bonds to be "arbitrage bonds" within the meaning of section 148 of the Code.

Maintenance of Tax-Exemption. The City shall take all actions necessary to assure the exclusion of interest on the Authority CFD Bonds from the gross income of the Owners of the Authority CFD 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 Authority CFD Bonds. In addition, the City shall not take any action or fail to take any action if the action or failure adversely affect the exclusion of interest on the Prior CFD Bonds from the gross income of the owners of the Prior CFD Bonds to the same extent as such interest was permitted to be excluded from gross income for federal income tax purposes on the date of issuance of the Prior CFD Bonds.

*Continuing Disclosure.* The City covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Bond Indenture, failure of the City to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, the Original Purchaser of the Authority CFD Bonds and any holder or beneficial owner of the CFD Bonds may, take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

#### Supplemental Indentures or Orders Not Requiring Bondowner Consent

The City may from time to time, and at any time, without notice to or consent of any of the Bondowners, but only with the prior written consent of the Bond Insurer so long as the Bond Insurance Policy is in full force and effect, adopt Supplemental Indentures for any of the following purposes:

(a) to cure any ambiguity, to correct or supplement any provisions in the Bond Indenture which may be inconsistent with any other provision in the Bond Indenture, or to make any other provision with respect to matters or questions arising under the Bond Indenture or in any additional resolution or order, provided that such action is not materially adverse to the interests of the Bondowners;

(b) to add to the covenants and agreements of and the limitations and the restrictions upon the City contained in the Bond Indenture, other covenants, agreements, limitations and restrictions to be observed by the City which are not contrary to or inconsistent with the Bond Indenture as theretofore in effect or which further secure Bond or Parity Bond payments;

(c) to provide for the issuance of any Parity Bonds, and to provide the terms and conditions under which such Parity Bonds may be issued, subject to and in accordance with the provisions of the Bond Indenture;

(d) to modify, amend or supplement the Bond Indenture in such manner as to permit the qualification of the Bond Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which shall not materially adversely affect the interests of the Owners of the CFD Bonds or any Parity Bonds then Outstanding; or

(e) to modify, alter or amend the rate and method of apportionment of the Special Taxes in any manner so long as such changes do not reduce the maximum Special Taxes that may be levied in each year on property within the CFD to an amount which is less than 110% of the principal and interest due in each corresponding future Bond Year with respect to the CFD Bonds and Parity Bonds Outstanding as of the date of such amendment; or

(f) to modify, alter, amend or supplement the Bond Indenture in any other respect which is not materially adverse to the Bondowners; or

(g) to make such additions, deletions or modifications as may be necessary or desirable to assure exemption from federal income taxation of interest on the Authority CFD Bonds.

#### Supplemental Indentures or Orders Requiring Bondowner Consent.

Exclusive of the Supplemental Indentures described in above, the Owners of not less than a majority in aggregate principal amount of the CFD Bonds and Parity Bonds Outstanding shall have the right to consent to and approve the adoption by the City of such Supplemental Indentures as shall be deemed necessary or desirable by the City for the purpose of waiving, modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Bond Indenture; provided, however, (i) the City shall have first obtained the written consent of the Bond Insurer so long as the Bond Insurance Policy is in full force and effect and (ii) that nothing in the Bond Indenture shall permit, or be construed as permitting, (a) an extension of the maturity date of the principal, or the payment date of interest on, any Bond or Parity Bond, (b) a reduction in the principal amount of, or redemption premium on, any Bond or Parity Bond or the rate of interest thereon, (c) a preference or priority of any Bond or Parity Bond over any other Bond or Parity Bond, or (d) a reduction in the aggregate principal amount of the CFD Bonds and Parity Bonds the Owners of which are required to consent to such Supplemental Indenture, without the consent of the Owners of all CFD Bonds and Parity Bonds then Outstanding.

If at any time the City shall desire to adopt a Supplemental Indenture, which shall require the consent of the Bondowners, the City shall so notify the Trustee and shall deliver to the Trustee a copy of the proposed Supplemental Indenture. The Trustee shall, at the expense of the City, cause notice of the proposed Supplemental Indenture to be mailed, by first class mail, postage prepaid, to all Bondowners at their addresses as they appear in the Bond Register. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that a copy thereof is on file at the office of the Trustee for inspection by all Bondowners. The failure of any Bondowners to receive such notice shall not affect the validity of such

Supplemental Indenture when consented to and approved by the Owners of not less than a majority in aggregate principal amount of the CFD Bonds and Parity Bonds Outstanding. Whenever at any time within one year after the date of the first mailing of such notice, the Trustee shall receive an instrument or instruments purporting to be executed by the Owners of not less than a majority in aggregate principal amount of the CFD Bonds and Parity Bonds Outstanding, which instrument or instruments shall refer to the proposed Supplemental Indenture described in such notice, and shall specifically consent to and approve the adoption thereof by the City substantially in the form of the copy referred to in such notice as on file with the Trustee, such proposed Supplemental Indenture, when duly adopted by the City, shall thereafter become a part of the proceedings for the issuance of the CFD Bonds and any Parity Bonds. In determining whether the Owners of a majority of the aggregate principal amount of the CFD Bonds and Parity Bonds have consented to the adoption of any Supplemental Indenture, CFD Bonds or Parity Bonds which are owned by the City or by any person directly or indirectly controlling or controlled by or under the direct or indirect common control with the City, shall be disregarded and shall be treated as though they were not Outstanding for the purpose of any such determination.

Upon the adoption of any Supplemental Indenture and the receipt of consent to any such Supplemental Indenture from the Owners of not less than a majority in aggregate principal amount of the Outstanding CFD Bonds and Parity Bonds in instances where such consent is required pursuant to the Bond Indenture, the Bond Indenture shall be, and shall be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under the Bond Indenture of the City and all Owners of Outstanding CFD Bonds and Parity Bonds shall thereafter be determined, exercised and enforced under the Bond Indenture, subject in all respects to such modifications and amendments.

#### Events of Default and Remedial Action.

*Events of Default.* Any one or more of the following events shall constitute an “event of default”:

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

(b) Default in the due and punctual payment of the interest on any Bond or Parity Bond when and as the same shall become due and payable; or

(c) Except as described in (a) or (b), default shall be made by the City in the observance of any of the agreements, conditions or covenants on its part contained in the Bond Indenture, the CFD Bonds or any Parity Bonds, and such default shall have continued for a period of 30 days after the City shall have been given notice in writing of such default by the Trustee or the Owners of 25% in aggregate principal amount of the Outstanding CFD Bonds and Parity Bonds.

*Remedies of Owners.* Upon the occurrence of an Event of Default, the Trustee may pursue any available remedy at law or in equity to enforce the payment of the principal of, premium, if any, and interest on the Outstanding CFD Bonds and Parity Bonds, and to enforce any rights of the Trustee under or with respect to the Bond Indenture, including:

(a) By mandamus or other suit or proceeding at law or in equity to enforce his rights against the City and any of the members, officers and employees of the City, and to compel the City or any such members, officers or employees to perform and carry out their duties under the Act and their agreements with the Owners as provided in the Bond Indenture;

(b) By suit in equity to enjoin any actions or things which are unlawful or violate the rights of the Owners; or

(c) By a suit in equity to require the City and its members, officers and employees to account as the trustee of an express trust.

If an Event of Default shall have occurred and be continuing and if requested so to do by the Owners of at least 25% in aggregate principal amount Outstanding CFD Bonds and Parity Bonds and is indemnified to its satisfaction, the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by the Bond Indenture, as the Trustee, being advised by counsel, shall deem most expedient in the interests of the Owners of the CFD Bonds and Parity Bonds.

No remedy in the Bond Indenture conferred upon or reserved to the Trustee or to the Owners is intended to be exclusive of any other remedy. Every such remedy shall be cumulative and shall be in addition to every other remedy given under the Bond Indenture or now or hereafter existing, at law or in equity or by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the Act or any other law.

*Application of Revenues and Other Funds After Default.* All amounts received by the Trustee pursuant to any right given or action taken by the Trustee under the provisions of the Bond Indenture relating to the CFD Bonds and Parity Bonds shall be applied by the Trustee in the following order upon presentation of the several CFD Bonds and Parity Bonds:

First, to the payment of the fees, costs and expenses of the Trustee in declaring such Event of Default and in carrying out the provisions of the Bond Indenture, including reasonable compensation to its agents, attorneys and counsel, and to the payment of all other outstanding fees and expenses of the Trustee; and

Second, to the payment of the whole amount of interest on and principal of the CFD Bonds and Parity Bonds then due and unpaid, with interest on overdue installments of principal and interest to the extent permitted by law at the net effective rate of interest then borne by the Outstanding CFD Bonds and Parity Bonds; provided, however, that in the event such amounts shall be insufficient to pay in full the full amount of such interest and principal, then such amounts shall be applied in the following order of priority:

(a) first to the payment of all installments of interest on the CFD Bonds and Parity Bonds then due and unpaid on a pro rata basis based on the total amount then due and owing,

(b) second, to the payment of all installments of principal, including Sinking Fund Payments, of the CFD Bonds and Parity Bonds then due and unpaid on a pro rata basis based on the total amount then due and owing, and

(c) third, to the payment of interest on overdue installments of principal and interest on the CFD Bonds and Parity Bonds on a pro rata basis based on the total amount then due and owing.

Defeasance.

If the City shall pay or cause to be paid, or there shall otherwise be paid, to the Owner of an Outstanding Bond or Parity Bond the interest due thereon and the principal thereof, at the times and in the manner stipulated in the Bond Indenture or any Supplemental Indenture, then the Owner of such Bond or Parity Bond shall cease to be entitled to the pledge of Special Tax Revenues, and, other than as set forth below, all covenants, agreements and other obligations of the City to the Owner of such Bond or Parity Bond under the Bond Indenture and any Supplemental Indenture relating to such Parity Bond shall thereupon cease, terminate and become void and be discharged and satisfied. In the event of a defeasance of all Outstanding CFD Bonds and Parity Bonds, the Trustee shall execute and deliver to the City all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee shall pay over or deliver to the City's general fund all money or securities held by it pursuant to the Bond Indenture which are not required for the payment of the principal of, premium, if any, and interest due on such CFD Bonds and Parity Bonds.

Any Outstanding Bond or Parity Bond shall be deemed to have been paid within the meaning expressed in the preceding paragraph if such Bond or Parity Bond is paid in any one or more of the following ways:

(a) by paying or causing to be paid the principal of, premium, if any, and interest on such Bond or Parity Bond, as and when the same become due and payable;

(b) by depositing with the Trustee, in trust, at or before maturity, money which, together with the amounts then on deposit in the Special Tax Fund (exclusive of the Administrative Expense Account) and available for such purpose, is fully sufficient to pay the principal of, premium, if any, and interest on such Bond or Parity Bond, as and when the same shall become due and payable; or

(c) by depositing with the Trustee or another escrow bank appointed by the City, in trust, Federal Securities, in which the City may lawfully invest its money, in such amount as will be sufficient, together with the interest to accrue thereon and moneys then on deposit in the Special Tax Fund (exclusive of the Administrative Expense Account) and available for such purpose, together with the interest to accrue thereon, to pay and discharge the principal of, premium, if any, and interest on such Bond or Parity Bond, as and when the same shall become due and payable;

then, at the election of the City, and notwithstanding that any Outstanding CFD Bonds and Parity Bonds shall not have been surrendered for payment, all obligations of the City under the Bond Indenture and any Supplemental Indenture with respect to such Bond or Parity Bond shall cease and terminate, except for the obligation of the Trustee to pay or cause to be paid to the Owners of any such Bond or Parity Bond not so surrendered and paid, all sums due thereon. Notice of such election shall be filed with the Trustee not less than ten days prior to the proposed defeasance date, or such shorter period of time as may be acceptable to the Trustee. In connection with a defeasance under (b) or (c) above, there shall be provided to the City a verification report from an independent nationally recognized certified public accountant stating its opinion as to the sufficiency of the moneys or securities deposited with the Trustee or the

escrow bank to pay and discharge the principal of, premium, if any, and interest on all Outstanding CFD Bonds and Parity Bonds to be defeased, as and when the same shall become due and payable, and an opinion of Bond Counsel (which may rely upon the opinion of the certified public accountant) to the effect that the CFD Bonds or Parity Bonds being defeased have been legally defeased in accordance with the Bond Indenture and any applicable Supplemental Indenture.

Upon a defeasance, the Trustee, upon request of the City, shall release the rights of the Owners of such CFD Bonds and Parity Bonds which have been defeased under the Bond Indenture and any Supplemental Indenture and execute and deliver to the City all such instruments as may be desirable to evidence such release, discharge and satisfaction. In the case of a defeasance under the Bond Indenture of all Outstanding CFD Bonds and Parity Bonds, the Trustee shall pay over or deliver to the City any funds held by the Trustee at the time of a defeasance, which are not required for the purpose of paying and discharging the principal of or interest on the CFD Bonds and Parity Bonds when due. The Trustee shall, at the written direction of the City, mail, first class, postage prepaid, a notice to the Bondowners whose CFD Bonds or Parity Bonds have been defeased, in the form directed by the City, stating that the defeasance has occurred.

Defeasance shall be accomplished only with an irrevocable deposit in escrow of certain investments referred to in the Bond Indenture. Further substitutions of securities in the escrow are not permitted. The deposit in the escrow must be sufficient, without reinvestment, to pay all principal and interest as schedule on the Bonds to and including the date of redemption. Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or prepayable prior to maturity or earlier redemption of the rated debt (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

#### Conditions for the Issuance of Parity Bonds and Other Additional Indebtedness.

The City may at any time after the issuance and delivery of the CFD Bonds under the Bond Indenture issue Parity Bonds payable from the Special Tax Revenues and other amounts deposited in the Special Tax Fund (other than in the Administrative Expense Account therein) and secured by a lien and charge upon such amounts equal to the lien and charge securing the Outstanding CFD Bonds and any other Parity Bonds theretofore issued under the Bond Indenture or under any Supplemental Indenture; provided, however, that Parity Bonds may only be issued for the purpose of refunding all or a portion of the CFD Bonds or any Parity Bonds then Outstanding. Parity Bonds which may only be issued to effect a partial refunding may be issued subject to the following additional specific conditions, which are made conditions precedent to the issuance of any such Parity Bonds:

- (a) The City shall be in compliance with all covenants set forth in the Bond Indenture and any Supplemental Indenture then in effect and a certificate of the City to that effect shall have been filed with the Trustee; provided, however, that Parity Bonds may be issued notwithstanding that the City is not in compliance with all such covenants so long as immediately following the issuance of such Parity Bonds the City will be in compliance with all such covenants.
- (b) The issuance of such Parity Bonds shall have been duly authorized pursuant to the Act and all applicable laws, and the issuance of such Parity Bonds shall

have been provided for by a Supplemental Indenture duly adopted by the City which shall specify the following:

(1) The purpose for which such Parity Bonds are to be issued and the fund or funds into which the proceeds thereof are to be deposited, including a provision requiring the proceeds of such Parity Bonds to be applied solely for the purpose of refunding any Outstanding CFD Bonds or Parity Bonds, including payment of all costs and the funding of all reserves incidental to or connected with such refunding;

(2) The authorized principal amount of such Parity Bonds;

(3) The date and the maturity date or dates of such Parity Bonds; provided that (i) each maturity date shall fall on an September 1, (ii) all such Parity Bonds of like maturity shall be identical in all respects, except as to number, and (iii) fixed serial maturities or Sinking Fund Payments, or any combination thereof, shall be established to provide for the retirement of all such Parity Bonds on or before their respective maturity dates;

(4) The description of the Parity Bonds, the place of payment thereof and the procedure for execution and authentication;

(5) The denominations and method of numbering of such Parity Bonds;

(6) The amount and due date of each mandatory Sinking Fund Payment, if any, for such Parity Bonds;

(7) The amount, if any, to be deposited from the proceeds of such Parity Bonds in the applicable Reserve Accounts to increase the amount therein to the Proportionate Share of the Reserve Requirement;

(8) The form of such Parity Bonds; and

(9) Such other provisions as are necessary or appropriate and not inconsistent with the Bond Indenture.

(c) The City shall have received the following documents or money or securities, all of such documents dated or certified, as the case may be, as of the date of delivery of such Parity Bonds by the Trustee (unless the Trustee shall accept any of such documents bearing a prior date):

(1) A certified copy of the Supplemental Indenture authorizing the issuance of such Parity Bonds;

(2) A written request of the City as to the delivery of such Parity Bonds;

(3) An opinion of Bond Counsel and/or general counsel to the City to the effect that (a) the City has the right and power under the Act to adopt the Bond Indenture and the Supplemental Indentures relating to such Parity Bonds,

and the Bond Indenture and all such Supplemental Indentures have been duly and lawfully adopted by the City, are in full force and effect and are valid and binding upon the City and enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights); (b) the Bond Indenture creates the valid pledge which it purports to create of the Special Tax Revenues and other amounts as provided in the Bond Indenture, subject to the application thereof to the purposes and on the conditions permitted by the Bond Indenture; and (c) such Parity Bonds are valid and binding limited obligations of the City, enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights) and the terms of the Bond Indenture and all Supplemental Indentures thereto and entitled to the benefits of the Bond Indenture and all such Supplemental Indentures, and such Parity Bonds have been duly and validly authorized and issued in accordance with the Act (or other applicable laws) and the Bond Indenture and all such Supplemental Indentures.

(4) A certificate of the City containing such statements as may be reasonably necessary to show compliance with the requirements of the Bond Indenture;

(5) A certificate of an Independent Financial Consultant certifying that (i) the total net interest cost to maturity on the Parity Bonds plus the principal amount of the Parity Bonds exceeds the total net interest cost to maturity on the CFD Bonds or Parity Bonds to be refunded plus the principal amount of the CFD Bonds or Parity Bonds to be refunded, (ii) the maturity date of the Parity Bonds will not exceed the latest maturity date of the CFD Bonds or Parity Bonds being refunded, and (iii) issuance of the Parity Bonds will not adversely impact the ability of the Authority to pay debt service on the Authority CFD Bonds; and

(6) Such further documents, money and securities as are required by the provisions of the Bond Indenture and the Supplemental Indenture providing for the issuance of such Parity Bonds.

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## **APPENDIX B**

### **THE CITY OF ROSEVILLE AND PLACER COUNTY**

The Districts are located in the City of Roseville (the "City"), which is located in southwestern Placer County (the "County"), California (the "State"). Certain financial and economic data for the City, County and State are presented in this appendix for information purposes only. The Bonds are not a debt or obligation of the City, County or State, but are a limited obligation of the Authority secured solely by the Revenues and other amounts pledged under the Indenture, all as described in more detail in this Official Statement.

#### **General**

The City is located in the County, which is located in the 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 presently occupies 42.26 square miles in the southwestern part of the County and is the largest city in the County as well as the residential and industrial center of the County. It is bordered by Sacramento County to the south, the City of Rocklin to the north and un-incorporated Placer County to the east and west. The estimated population of the City as of January 2016 was approximately 134,073.

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.

The City is predominately comprised of residential housing, small and large businesses, as well as numerous retail centers, the latter of which play a vital role in the economy of the City and contribute significantly to City and County sales tax receipts. The City has the thirteenth highest retail sales of all cities in the State, and the City is considered a regional shopping destination. The Westfield Galleria at Roseville is the main shopping center in the City and the second largest shopping mall in Northern California. Across from the Westfield Galleria lies the "Fountains at Roseville," a 330,000 square foot retail center, containing additional stores and several recreation centers. Plans call for future construction of hotel, additional retail, and office buildings in connection with the Fountains at Roseville project. In addition to the Westfield Galleria and Fountains at Roseville, the City has many shopping plazas surrounding the Westfield Galleria and the Douglas Boulevard financial corridor. The City is also home to one of the largest auto malls in the United States and a popular water park, Roseville Golf and SunSplash.

#### **Municipal Government**

The City was incorporated on April 10, 1909 and is a charter city. The City operates under the council-manager form of government, with a five-member City Council elected at large for staggered four-year terms. At each election, the council member receiving the most votes is appointed mayor pro-tempore for two years and becomes mayor for the final two years.

City services include, among others, police and fire protection, library services, street maintenance, and parks and recreation. The City also owns two golf courses and provides its own electricity, water, sewer and refuse services to its citizens.

## Population

The City's population has increased approximately 1% to 2% per year over the past five years. The following table sets forth population estimates for the City, County and State for the past five years.

### POPULATION ESTIMATES City, County and State 2012 through 2016

<u>Year</u>	<u>City of Roseville</u>	<u>Placer County</u>	<u>State of California</u>
2013	127,438	362,417	38,239,207
2014	129,822	367,176	38,567,459
2015	131,443	370,238	38,907,642
2016	134,073	373,793	39,255,883

*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 and the United States.

The table on the following page summarizes the total effective buying income for the City, County, State and the United States for the period 2011 through 2015. Effective buying income data is not yet available for calendar year 2016.

**EFFECTIVE BUYING INCOME (EBI)**  
**City, County, State and United States**  
**As of January 1, 2011 through 2015**

<b>Year</b>	<b>Area</b>	<b>Total Effective Buying Income (000's Omitted)</b>	<b>Median Household Effective Buying Income</b>
2011	City of Roseville	\$3,030,070	\$56,309
	Placer County	9,797,178	55,993
	California	814,578,458	47,062
	United States	6,438,704,664	41,253
2012	City of Roseville	\$3,308,060	\$55,367
	Placer County	9,955,120	55,173
	California	864,088,828	47,307
	United States	6,737,867,730	41,358
2013	City of Roseville	\$3,327,535	\$56,270
	Placer County	9,811,843	56,393
	California	858,676,636	48,340
	United States	6,982,757,379	43,715
2014	City of Roseville	\$3,507,655	\$59,074
	Placer County	10,287,888	58,583
	California	901,189,699	50,072
	United States	7,357,153,421	45,448
2015	City of Roseville	\$3,959,073	\$64,615
	Placer County	11,729,490	64,480
	California	981,231,666	53,589
	United States	7,757,960,399	46,738

*Source: The Nielsen Company (US), Inc.*

## Employment and Industry

The unemployment rate in the Sacramento--Arden-Arcade--Roseville Metropolitan Statistical Area (“MSA”), which is comprised of El Dorado, Placer, Sacramento and Yolo Counties, was 5.4% in February 2016, down from a revised 5.5% in January 2016, and below the year-ago estimate of 6.4%. This compares with an unadjusted unemployment rate of 5.7% for California and 5.2% for the nation during the same period. The unemployment rate was 5.4% in El Dorado County, 4.6% in Placer County, 5.5% in Sacramento County and 6.6% in Yolo County.

The following table summarizes the civilian labor force, employment and unemployment, as well as employment by industry, in the Sacramento--Arden-Arcade--Roseville MSA for the years 2011 through 2015.

**CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT**  
**Sacramento Arden Arcade Roseville Metropolitan Statistical Area**  
**(El Dorado, Placer, Sacramento, and Yolo Counties)**  
**Civilian Labor Force, Employment and Unemployment**  
**Annual Averages**

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>Civilian Labor Force</b> <sup>(1)</sup>	1,044,400	1,049,500	1,046,800	1,049,200	1,060,200
Employment	920,900	941,100	956,100	974,100	998,100
Unemployment	123,600	108,300	90,800	75,100	62,100
Unemployment Rate	11.8%	10.3%	8.7%	7.2%	5.9%
<b>Wage and Salary Employment</b> <sup>(2)</sup>					
Agriculture	8,200	8,600	8,900	9,200	9,300
Mining and Logging	500	400	500	500	600
Construction	36,900	38,400	43,300	45,400	49,900
Manufacturing	33,200	33,900	34,100	35,400	36,300
Wholesale Trade	23,700	25,200	25,000	24,500	24,600
Retail Trade	89,400	91,800	93,800	95,300	97,500
Transportation, Warehousing and Utilities	21,100	22,000	22,900	23,600	24,600
Information	16,300	15,600	14,800	13,900	14,200
Finance and Insurance	34,700	35,700	36,300	35,500	37,100
Real Estate and Rental and Leasing	12,000	12,500	13,100	13,400	13,900
Professional and Business Services	104,400	111,100	114,600	118,200	119,700
Educational and Health Services	122,500	125,600	130,700	134,300	140,300
Leisure and Hospitality	81,700	84,500	88,700	91,800	94,900
Other Services	28,000	28,600	29,000	30,200	30,800
Federal Government	14,000	13,700	13,500	13,600	13,700
State Government	109,700	108,200	109,900	113,400	115,400
Local Government	100,900	99,600	99,200	100,800	102,900
<b>Total, All Industries</b> <sup>(3)</sup>	<b>837,100</b>	<b>855,300</b>	<b>878,200</b>	<b>898,800</b>	<b>925,400</b>

<sup>(1)</sup> Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

<sup>(2)</sup> Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

<sup>(3)</sup> Totals may not add due to rounding.

Source: State of California Employment Development Department.

## Largest Employers

The following table lists the largest manufacturing and non-manufacturing employers within the County as of March 2016.

### LARGEST EMPLOYERS Placer County March 2016 (In Alphabetical Order)

<u>Employer Name</u>	<u>Location</u>	<u>Industry</u>
Adventist Health	Roseville	Health Services
Alpine Meadows	Alpine Meadows	Resorts
AT&T	Auburn	Telephone Companies
Composite Engineering Inc	Roseville	Engineers-Professional
Kaiser Foundation Hospitals	Roseville	Hospitals
Kw Commercial	Roseville	Real Estate
Northstar-At-Tahoe Resort	Truckee	Resorts
Oracle	Rocklin	Computer Software-Manufacturers
Placer County Fire Dept	Auburn	Government Offices-County
Placer County Food Stamps	Auburn	County Government-Social/Human Resources
Placer County of Education	Auburn	Schools
Placer County Sheriff	Auburn	Government Offices-County
Resort At Squaw Creek	Alpine Meadows	Resorts
Ritz-Carlton	Truckee	Hotels & Motels
Roseville Golfand-Sun Splash	Roseville	Water Parks
Roseville Toyota & Scion	Roseville	Automobile Dealers-New Cars
Sheriff's Training	Auburn	Government Offices-County
Sugar Bowl Ski Area Group SIs	Norden	Skiing Centers & Resorts
Sutter Roseville Medical Ctr	Roseville	Hospitals
Tami Saner & Assoc	Roseville	Real Estate
TASQ Technology	Roseville	Importers (whls)
Thunder Valley Casino & Resort	Lincoln	Casinos
UNFI Western Region Div	Rocklin	Food Products (whls)
Union Pacific Railroad Co	Roseville	Railroads
Village Lodge-Sugar Bowl	Norden	Hotels & Motels

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Source: California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2016 1st Edition.

The following table sets forth the largest manufacturing and non-manufacturing employers in the City as of 2015.

**LARGEST EMPLOYERS  
City of Roseville  
2015**

<u>Employer</u>	<u>Number of Employees</u>
The Permanente Medical Group & Foundation Group	3,231
Hewlett Packard	2,548
Sutter Roseville Medical Group	1,654
Roseville Joint Union High School	1,434
Union Pacific Railroad Company	1,180
City of Roseville	1,102
Adventist Health System West	1,000
Roseville City School District	1,000
PRIDE Industries	550
Solar City	<u>475</u>
Total Employment	14,174

*Source: City of Roseville-City Manager's Office, Comprehensive Annual Financial Report, Fiscal Year Ending June 30, 2015.*

## Construction Permits

The County's 2015-2016 assessment roll totaled \$63.4 billion as compared to the prior year's assessment roll of \$58.2 billion, which reflected an 8.89% increase this year. These numbers over the last two years contrast with the real estate decline years of 2008 and after, where the County assessment roll experienced declines.

In May of 2016, the City issued 47 residential single-family building permits and 1 commercial building permit. The City maintains building permit data, which can be viewed on its website.

The following table shows valuations of residential and non-residential building permits issued for calendar years 2011 through 2015. Annual figures are not yet available for 2016.

### BUILDING PERMIT VALUATION City of Roseville (Valuation in Thousands of Dollars)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<u>Permit Valuation</u>					
New Single-family	\$91,310.0	\$249,559.2	\$118,547.9	\$154,499.7	\$262,769.4
New Multi-family	0.0	0.0	6,632.0	15,360.4	0.0
Res. Alterations/Additions	<u>7,329.2</u>	<u>3,082.0</u>	<u>3,395.0</u>	<u>4,967.8</u>	<u>9,039.9</u>
Total Residential	<u>\$98,639.2</u>	<u>\$252,641.2</u>	<u>\$128,575.0</u>	<u>\$174,827.9</u>	<u>\$271,809.3</u>
New Commercial	\$ 707.9	\$16,280.4	\$26,058.9	\$19,546.6	36,704.0
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	0.0	0.0	2,627.4	10,935.1	9,340.5
Com. Alterations/Additions	<u>67,245.2</u>	<u>31,868.5</u>	<u>45,489.0</u>	<u>62,138.9</u>	<u>42,754.7</u>
Total Nonresidential	<u>\$67,953.1</u>	<u>\$48,148.9</u>	<u>\$74,175.4</u>	<u>\$92,620.6</u>	<u>\$88,799.2</u>
<u>New Dwelling Units</u>					
Single Family	411	663	528	644	927
Multiple Family	<u>0</u>	<u>0</u>	<u>224</u>	<u>0</u>	<u>0</u>
Total New Dwelling Units	411	663	752	644	927

*Source: Construction Industry Research Board, Building Permit Summary.*

The following table shows residential and non-residential building permits issued within the County for calendar years 2010 through 2014. Annual figures are not yet available for 2015.

**BUILDING PERMIT VALUATION  
County of Placer  
(Valuation in Thousands of Dollars)**

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<u>Permit Valuation</u>					
New Single-family	\$272,263.0	\$230,831.8	\$431,611.6	\$378,286.0	\$523,638.2
New Multi-family	11,385.1	6,549.5	11,368.0	7,078.5	48,645.5
Res. Alterations/Additions	<u>50,586.8</u>	<u>62,155.8</u>	<u>35,481.3</u>	<u>50,358.2</u>	<u>59,428.5</u>
Total Residential	\$334,234.9	\$299,537.1	\$478,460.9	\$435,722.7	\$631,712.2
New Commercial	\$ 5,551.8	\$ 7,014.3	\$ 44,303.0	\$70,876.0	\$38,343.5
New Industrial	0.0	860.0	164.0	1,092.0	199.8
New Other	29,303.2	12,112.3	414.5	25,673.5	44,159.8
Com. Alterations/Additions	<u>73,789.4</u>	<u>88,639.9</u>	<u>55,512.0</u>	<u>73,037.0</u>	<u>101,977.7</u>
Total Nonresidential	\$108,644.4	\$108,626.5	\$100,393.5	\$170,678.5	\$184,680.8
<u>New Dwelling Units</u>					
Single Family	1,090	802	1,209	1,249	1,620
Multiple Family	<u>79</u>	<u>28</u>	<u>111</u>	<u>227</u>	<u>376</u>
Total New Dwelling Units	1,169	830	1,320	1,476	1,996

Source: Construction Industry Research Board, Building Permit Summary.

**Commercial Activity**

A summary of historic taxable sales within the City and the County during the past five years in which data is available is shown in the following tables. The total taxable sales during the first three quarters of the calendar year 2014 in the City were reported to be \$3.1 billion, a 1.80% increase over the total taxable sales of \$3.0 billion reported during the first three quarters of the calendar year 2013. Annual figures for 2014 and 2015 are not yet available.

**TAXABLE TRANSACTIONS  
City of Roseville  
Calendar Years 2009 through 2013  
(Dollars in Thousands)**

	<u>Retail Stores</u>		<u>Total All Outlets</u>	
	<u>Number of Permits</u>	<u>Taxable Transactions</u>	<u>Number of Permits</u>	<u>Taxable Transactions</u>
2009	3,400	\$2,708,864	4,441	\$3,104,840
2010	3,640	2,814,546	4,698	3,251,045
2011	3,405	3,024,189	4,476	3,499,616
2012	3,765	3,332,827	4,861	3,772,583
2013	3,757	3,558,765	4,819	4,171,738

Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

The total taxable sales during the first three quarters of the calendar year 2014 in the County were reported to be \$5.9 billion, a 4.70% increase over the total taxable sales of \$5.7 billion reported during the first three quarters of the calendar year 2013. Annual figures for 2014 and 2015 are not yet available.

**TAXABLE TRANSACTIONS**  
**Placer County**  
**Calendar Years 2009 through 2013**  
**(Dollars in Thousands)**

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2009	7,819	\$4,453,186	11,135	\$5,796,644
2010	8,110	4,678,785	11,439	6,017,542
2011	7,803	5,112,781	11,120	6,568,195
2012	8,272	5,613,981	11,621	7,065,597
2013	8,487	6,050,198	11,713	7,724,406

*Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).*

**Transportation**

The County's transportation network is an integral part of its development. Centrally located in the State, the area is the hub of several major highways. Interstate 80 runs through the County, connecting San Francisco to New York. Highway 65 runs north from I-80 to Lincoln and Marysville. Interstate 5, which is west of the County, runs north to Seattle and south to Los Angeles. In the City, the major highways in the area are Interstate 80 and Interstate 5, and State Highways 65, 50, and 99.

Union Pacific Railroad bought Southern Pacific in 1996 and the J.R. Davis Yard, located in Roseville, is the largest rail facility on the West Coast. Union Pacific owns and operates track in 23 states, primarily west of the Mississippi River. Amtrak provides passenger service daily to San Francisco and San Jose, and the California Zephyr connects the County to the Midwest and Chicago.

Greyhound operates a station in the City, providing interstate destination services. Greyhound also operates throughout the County, with bus depots or regularly scheduled stops in most of the communities along major highways and roads.

Sacramento International Airport serves the Roseville area. Served by ten major carriers and several commuter airlines, as well as air-freight carriers, the airport handles passenger flights to over 140 cities with more than 130 scheduled departures per day and 4.3 million passengers annually. Nearby Auburn Municipal Airport serves charter and private aircraft for coastal, state and transcontinental flights. Executive air service is available as well. Auburn Municipal has an elevation of 1,520 feet and an east/west runway 3,100 feet in length.

Several trucking companies serve the County, ranging from interstate lines to local haulers, and transporting a wide variety of goods. United Parcel Service, with a distribution center in Rocklin, offers freight transportation services as well.

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**APPENDIX C-1**

**RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES**

**HIGHLAND RESERVE NORTH CFD**

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

RATE AND METHOD OF APPORTIONMENT SPECIAL TAX

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**1. BASIS OF SPECIAL TAX LEVY**

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

**2. DEFINITIONS**

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

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

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

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

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

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

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

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

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

"**CFD**" means the Highland Reserve North Community Facilities District No. 1 of the City of Roseville.

"**City**" means the City of Roseville, California.

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

"**County**" means the County of Placer, California.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### 3. DETERMINATION OF PARCELS SUBJECT TO SPECIAL TAX

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

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

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

### 3. TERMINATION OF THE SPECIAL TAX

The Special Tax will be levied for as long as is needed to pay the principal and interest on debt incurred in order to construct the authorized facilities and to pay the Annual Costs. However, in no event shall the Special Tax be levied after Fiscal Year 2034-2035.

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

### 4. ASSIGNMENT OF MAXIMUM SPECIAL TAXES

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

1. Each Parcel to be classified as a Tax-Exempt Parcel or a Taxable Parcel;
2. Each Taxable Parcel to be classified as an Original Parcel, a Successor Parcel, or a Partial Prepayment Parcel. The assignment of the Maximum Special Tax to Taxable Parcels is as follows:
  - a) Prior to Recording Large-Lot Subdivision Map—The Maximum Special Tax for a Parcel that includes more than one Specific Plan Parcel shall be determined by summing the Maximum Special Tax for each Specific Plan Parcel included in the

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

- b) Partial Prepayment Parcels — the Maximum Special Tax for all Partial Prepayment Parcels is assigned by multiplying the Maximum Special Tax from **Attachment 1**, or as otherwise calculated for a Successor Parcel, by the Partial Prepayment Factor for that Parcel.
- c) Original Parcel - the Maximum Special Tax for each Original Parcel is as shown on **Attachment 1**.
- d) Successor Parcel - the Maximum Special Tax for each Successor Parcel is determined as follows:
  - (i) If the Successor Parcel is the result of a single-family residential or individually-owned residential condominium Parcel Subdivision, divide the Maximum Special Tax assigned to the Original Parcel or Successor Parcel, as calculated under (c) above or (d)(ii) below, by the number of single-family residential Parcels or residential condominium units. The result of this calculation is the Maximum Special Tax for each single-family residential or residential condominium Successor Parcel within the Subdivision.
  - (ii) If the Successor Parcel is the result of a non-residential or multi-family Subdivision, or a single-family residential Subdivision that is not creating final residential lots:
    - calculate the percentage of the taxable Successor Parcel's square footage to the total square footage for all taxable Successor Parcels of that Original or Successor Parcel; then,
    - multiply this percentage by the Maximum Special Tax assigned to the previous Original Parcel or Successor Parcel. The result of this calculation is the Maximum Special Tax.
- e) Residential Unit/Maximum Special Tax Transfer - the Maximum Special Tax assigned to a residential Parcel under (a), (b), (c), or (d) above, may be adjusted to reflect a change in the number of original residential units (as shown in **Attachment 1**) resulting from a transfer of units from one Taxable Parcel to another Taxable Parcel in the following manner:
  - (i) Calculate the existing Maximum Special Tax per unit by dividing the Maximum Special Tax for the Parcel by the number of units assigned to that Parcel;
  - (ii) Calculate the total Maximum Special Tax being transferred by multiplying the number of units being transferred by the calculation in (i) above. Add the total Maximum Special Tax and number units being transferred to the Parcel(s) receiving the transferred units and Maximum Special Tax.

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

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

- (i) any decrease in one Parcel's Maximum Special Tax assignment is offset by an equal increase in the Maximum Special Tax of other Parcels to ensure that there is no net loss in the total Maximum Special Taxes; and,
  - (ii) all adjustments are agreed to in writing by the affected property owners and the Finance Director.
- f) If the assignment of Maximum Special Taxes to Successor Parcels under step d) above or through a transfer of Maximum Special Tax in step e) above results in unequal Maximum Special Taxes between residential Subdivisions, the revised Maximum Special Taxes may be adjusted further to accommodate a uniform Special Tax between adjacent subdivisions. Such adjustments shall also be subject to the transfer conditions under step e) above.
- g) Conversion of a Tax-Exempt Parcel to a Taxable Parcel - if a parcel designated as a Public Parcel is not needed for public use and is converted to a private use, it shall become subject to the Special Tax. The Maximum Special Tax for each such Parcel shall be set equal to the average Maximum Special Tax per unit or acre for Parcels with similar land use designations, as determined by the Finance Director.
- h) Taxable Parcels Acquired by a Public Agency — A Taxable Parcel that is acquired by a public agency after the CFD is formed will remain subject to the applicable Special Tax unless the Special Tax obligation is satisfied pursuant to Section 53317.5 of the Government Code. An exception to this may be made if a Public Parcel within the CFD is relocated to a Taxable Parcel, the previously Tax-Exempt Parcel of comparable acreage becomes a Taxable Parcel, and the Maximum Special Tax from the previously Taxable Parcel is transferred to the newly Taxable Parcel. This trading of Parcels will be permitted to the extent that there is no net loss in Maximum CFD Revenue.

## 6. SETTING THE ANNUAL SPECIAL TAX LEVY

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

- 1) Compute the Annual Costs using the definitions in Section 2.
- 1) Calculate the Special Tax for each Parcel as follows:
  - Step 1: Compute 100% of the Maximum Special Tax revenue for all Taxable Parcels.
  - Step 2: Compare the Annual Costs with the Maximum Special Tax revenue calculated in the previous step.
  - Step 3: If the Annual Costs are less than the Maximum Special Tax revenue, decrease proportionately the Special Tax levy for each Taxable Parcel until the Special Tax revenue equals the Annual Cost.

- 3) Prepare the Tax Collection Schedule for each Parcel and send it to the County Auditor requesting that it be placed on the general, secured property tax roll for the following Fiscal Year. The Tax Collection Schedule shall not be sent later than the date required by the Auditor for such inclusion.

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

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

## **7. PREPAYMENT OF SPECIAL TAX OBLIGATION**

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

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

- The Parcel is a whole Original Parcel greater than one acre or a Successor Parcel greater than ten acres.
- The City determines that the Prepayment of the Special Tax obligation does not jeopardize its ability to make timely payments of debt service on Outstanding Bonds.
- Any landowner prepaying the Special Tax obligation must pay any and all delinquent Special Taxes and penalties for the prepaying Parcel.
- Prior to the calculation of the prepayment amount, the landowner must notify the City whether such landowner intends to execute a full Prepayment or Partial Prepayment. If the landowner intends to execute a Partial Prepayment, the landowner shall further notify the City of the dollar amount of the intended Prepayment. In no event shall a Partial Prepayment be for less than twenty-five percent (25%) of the full Prepayment amount.

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

### **Part A: Prepayment of Outstanding Bond Share**

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

- Step A.2: Determine the "Benefit Share" by dividing the Maximum Special Tax determined in Step A.1 above by the Maximum CFD Revenue for all Parcels in the CFD.
- Step A.3: Determine the Bond Share for the Parcel by multiplying the Benefit Share From Step A.2 above by the total amount of Outstanding Bonds issued by the CFD.
- Step A.4: Calculate the Reserve Fund Share associated with the Bond Share determined in Step A.3 above and reduce the Bond Share by the amount of the Reserve Fund Share. The Reserve Fund Share is equal to the reserve requirement on all Outstanding Bonds multiplied by the Benefit Share. At the City's discretion, the Reserve Fund Share may be withheld from the Prepayment calculation and refunded to the Prepaying landowner at the time that bonds are called.
- Step A.5: Determine the Outstanding Bond Share by adding to the amount calculated in Step A.4 above any fees, call premiums, amounts necessary to cover negative arbitrage from the date of the prepayment to first call date on the bonds, and expenses incurred by the City in connection with the prepayment calculation or the application of the proceeds of the prepayment.

Part B: Remaining Facility Cost Share

- Step B.1: Determine the Total Facility Cost Share for the Parcel by multiplying the Benefit Share from Part A, Step A.2 above by the Anticipated Construction Proceeds.
- Step B.2: Determine the share of facilities funded by bonds already issued by the CFD for the Parcel by multiplying the Benefit Share by the construction proceeds made available from all such bonds issued by the CFD. These amounts shall be adjusted to the year of Prepayment by using the Engineering News Record Construction Cost Index.
- Step B.3: Determine the share of facilities funded with any pay-as-you-go special tax revenues by multiplying the Benefit Share by the total amount of pay-as-you-go funding used to acquire authorized facilities.
- Step B.4: Determine the remaining facility cost share for the Parcel by subtracting the results from Steps B.2 and B.3 above from the Total Facility Cost Share determined in Step B.1. (Notwithstanding the above, once the City has issued all bonds for the CFD, the remaining facility cost share shall be set to zero for purposes of this prepayment calculation.)
- Step B.5: The Bond Authorization for the CFD shall be reduced by an amount equal to the amount determined in Step B.4 above multiplied by a factor of 1.15.
- Step B.6: Combine the amount from Part A Step A.5 with the amount from Part B Step B.4 to arrive at the Full Prepayment amount.**

Part C: Partial Prepayments

If the prepayment is a partial prepayment, then the property owner shall designate an amount which is less than the total prepayment amount determined above for the prepaying Parcel (or group of prepaying Parcels) that results in a bond call in a whole number multiple of \$5,000. In no event shall

a Partial Prepayment be for less than twenty-five percent (25%) of the full Prepayment amount. The City shall then determine the Partial Prepayment Factor by the following procedure:

- Step C.1: Subtract the amount of the Partial Prepayment from the Full Prepayment amount calculated in Step B.6 above;
- Step C.2: Subtract any fixed costs (such as the cost of the Prepayment calculation and other fees that do not vary proportionally with the size of the prepayment) of the Prepayment from the Full Prepayment amount;
- Step C.3: Divide the result of Step 1 by the result of Step C.2 above; and,
- Step C.4: If a Partial Prepayment has previously been made for this Parcel, multiply the result of Step C. 3 above times the previously calculated Partial Prepayment Factor.

#### Part D: Transfers

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

- Step D.1: For a Full Prepayment transfer the amount of the Reserve Fund Share.
- Step D.2: For a Partial Prepayment, transfer an amount equal to the Reserve Fund Share times one minus the Partial Prepayment Factor.

## **8. ADMINISTRATIVE CHANGES AND APPEALS**

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

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

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

## **9. MANNER OF COLLECTION**

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

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

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

*"attachment1"*

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

**APPENDIX C-2**

**RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES**

**WOODCREEK EAST CFD**

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CITY OF ROSEVILLE  
**Woodcreek East**  
COMMUNITY FACILITIES DISTRICT NO. 1

RATE AND METHOD OF APPORTIONMENT SPECIAL TAX

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**1. BASIS OF SPECIAL TAX LEVY**

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

**2. DEFINITIONS**

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

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

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

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

**"Anticipated Facility Costs"** means \$4,314,300 as adjusted annually after the Base Year in accordance with the Engineering News Record Building Cost Index.

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

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

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

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

**"CFD"** means the Woodcreek East Community Facilities District No. 1 of the City of Roseville.

**"City"** means the City of Roseville, California.

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

**"County"** means the County of Placer, California.

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

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

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

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

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

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

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

**"Maximum Special Tax"** means the greatest amount of Special Tax that can be levied against a Taxable Parcel in any Fiscal Year. Each time a Taxable Parcel is subdivided, the Maximum Special Tax will be reassigned to the Successor Parcels. The Maximum Special Tax at the formation of the CFD is shown in **Attachment 1**.

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

**"Original Parcel"** means the large-lot parcel as it existed at the time of the adoption of the Resolution of Formation by the Council, as shown on **Map 1**.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**"Tax-Exempt Parcel"** means a Parcel not subject to the Special Tax. Tax-Exempt Parcels include: (1) Public Parcels identified at the formation of the CFD or created by Subdivision of an Original or Successor Parcel where all of the taxes from the previous Original or Successor Parcel(s) have been assigned to the Taxable parcels, and (2) any Parcel that has prepaid its Special Taxes under Section 7 hereof. A Taxable Parcel acquired by a public agency after formation of the CFD will not be classified as a Tax-Exempt Parcel.

**"Total Facility Cost Share"** means the Benefit Share for a Parcel multiplied by the Anticipated Facility Costs for the CFD.

**"Woodcreek East"** means the Woodcreek East development of the North Industrial Plan Area (NIPA) as shown in **Map 1**.

### **3. DETERMINATION OF PARCELS SUBJECT TO SPECIAL TAX**

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

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

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

### **4. TERMINATION OF THE SPECIAL TAX**

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

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

## 5. ASSIGNMENT OF MAXIMUM SPECIAL TAXES

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

1. Each Parcel to be classified as a Tax-Exempt Parcel or a Taxable Parcel;
2. Each Taxable Parcel to be classified as an Original Parcel, a Successor Parcel, or a Partial Prepayment Parcel.

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

- a) Partial Prepayment Parcels — the Maximum Special Tax for all Partial Prepayment Parcels is assigned by multiplying the Maximum Special Tax from **Attachment 1**, or as otherwise calculated for a Successor Parcel, by the Partial Prepayment Factor for that Parcel.
- b) Original Parcel - the Maximum Special Tax for each Original Parcel is as shown on **Attachment 1**.
- c) Successor Parcel - the Maximum Special Tax for each Successor Parcel is determined as follows:
  - (i) If the Successor Parcel is the result of a single-family residential or individually-owned residential condominium Parcel Subdivision, divide the Maximum Special Tax assigned to the Original Parcel or Successor Parcel, as calculated under (c) above or (d) (ii) below, by the number of single-family residential Parcels or residential condominium units. The result of this calculation is the Maximum Special Tax for each single-family residential or residential condominium Successor Parcel within the Subdivision.
- d) Residential Unit/Maximum Special Tax Transfer - the Maximum Special Tax assigned to a residential Parcel under (a), (b), or (c) above, may be adjusted to reflect a change in the number of original residential units (as shown in **Attachment 1**) resulting from a transfer of units from one Taxable Parcel to another Taxable Parcel in the following manner:
  - (i) Calculate the existing Maximum Special Tax per unit by dividing the Maximum Special Tax for the Parcel by the number of units assigned to that Parcel;
  - (ii) Calculate the total Maximum Special Tax being transferred by multiplying the number of units being transferred by the calculation in (i) above. Add the total Maximum Special Tax and number units being transferred to the Parcel(s) receiving the transferred units and Maximum Special Tax.

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

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

- (i) any decrease in one Parcel's Maximum Special Tax assignment is offset by an equal increase in the Maximum Special Tax of other Parcels to ensure that there is no net loss in the total Maximum Special Taxes; and,
  - (ii) all adjustments in the Special Tax are agreed to in writing by the affected property owners and the Finance Director.
- e) If the assignment of Maximum Special Taxes to Successor Parcels under step c) above or through a transfer of Maximum Special Tax in step d) above results in unequal Maximum Special Taxes between residential Subdivisions within the subdivision of the CFD, the revised Maximum Special Taxes may be adjusted further to accommodate a uniform Special Tax between adjacent subdivisions. Such adjustments shall also be subject to the transfer conditions under step d) above.
- f) Conversion of a Tax-Exempt Parcel to a Taxable Parcel - if a parcel designated as a Public Parcel is not needed for public use and is converted to a private use, it shall become subject to the Special Tax. The Maximum Special Tax for each such Parcel shall be set equal to the average Maximum Special Tax per unit or acre for Parcels with similar land use designations, as determined by the Finance Director.
- g) Taxable Parcels Acquired by a Public Agency — A Taxable Parcel that is acquired by a public agency after the CFD is formed will remain subject to the applicable Special Tax unless the Special Tax obligation is satisfied pursuant to Section 53317.5 of the Government Code. An exception to this may be made if a Public Parcel within the CFD is relocated to a Taxable Parcel, the previously Tax-Exempt Parcel of comparable acreage becomes a Taxable Parcel, and the Maximum Special Tax from the previously Taxable Parcel is transferred to the newly Taxable Parcel. This trading of Parcels will be permitted to the extent that there is no net loss in Maximum CFD Revenue.

## **6. SETTING THE ANNUAL SPECIAL TAX LEVY**

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

- 1) Compute the Annual Costs using the definitions in Section 2.
- 2) Calculate the Special Tax for each Parcel as follows:

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

- Step 2: Compare the Annual Costs with the Maximum Special Tax revenue calculated in the previous step.
- Step 3: If the Annual Costs are less than the Maximum Special Tax revenue, decrease proportionately the Special Tax levy for each Taxable Parcel until the Special Tax revenue equals the Annual Cost.
- 3) Prepare the Tax Collection Schedule for each Parcel and send it to the County Auditor requesting that it be placed on the general, secured property tax roll for the following Fiscal Year. The Tax Collection Schedule shall not be sent later than the date required by the Auditor for such inclusion.

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

As development and subdivision of Woodcreek East takes place, the Finance Director will maintain a file of each current assessor's parcel number within the CFD and the authorized Maximum Special Tax on all such Parcels available for public inspection. This record shall show the Maximum Special Tax on all Original and Successor Parcels and a brief description of the process of assigning the Maximum Special Tax each time a Successor Parcel was created. The record will also indicate whether a Parcel is a Prepayment Parcel or a Partial Prepayment Parcel. Any taxpayer who feels that the amount of the Special Tax assigned to a Parcel is in error may file a notice with the Finance Director appealing the levy of the Special Tax.

## **7. PREPAYMENT OF SPECIAL TAX OBLIGATION**

With a Prepayment, a landowner may satisfy all or a portion of the Special Tax obligation on any given Parcel. Landowners may permanently satisfy all or part of the Special Tax obligation by a cash settlement with the City as permitted under Government Code Section 53344. Prepayment is permitted only under the following conditions:

- Prepayments must be made by May 1 in order to have the Prepayment reflected in the following Fiscal Year's Special Tax Levy.
- The Parcel is a whole Original Parcel greater than one acre, a Successor Parcel greater than ten acres, or a group of contiguous Successor Parcels, greater than or equal to ten gross acres, with a common owner. However, if an Original Parcel or a Successor Parcel larger than ten acres is subdivided by a final Large-Lot Subdivision Map and a Successor Parcel less than ten acres results, the smaller Successor Parcel(s) will be allowed to take advantage of the same Prepayment provisions offered to the Parcel from which it was created.
- The City determines that the Prepayment of the Special Tax obligation does not jeopardize its ability to make timely payments of debt service on Outstanding Bonds.

- Any landowner prepaying the Special Tax obligation must pay any and all delinquent Special Taxes and penalties for the prepaying Parcel.
- Prior to the calculation of the prepayment amount, the landowner must notify the City whether such landowner intends to execute a full Prepayment or Partial Prepayment. If the landowner intends to execute a Partial Prepayment, the landowner shall further notify the City of the dollar amount of the intended Prepayment. In no event shall a Partial Prepayment be for less than twenty-five percent (25%) of the full Prepayment amount.

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

Part A: Prepayment of Outstanding Bond Share

- Step A.1: Determine the Maximum Special Tax for the Parcel based on the assignment of the Maximum Special Tax described in Section 5 above.
- Step A.2: Determine the "Benefit Share" by dividing the Maximum Special Tax determined in Step A.1 above by the Maximum CFD Revenue for all Parcels in the CFD.
- Step A.3: Determine the Bond Share for the Parcel by multiplying the Benefit Share From Step A.2 above by the total amount of Outstanding Bonds issued by the CFD.
- Step A.4: Calculate the Reserve Fund Share associated with the Bond Share determined in Step A.3 above and reduce the Bond Share by the amount of the Reserve Fund Share. The Reserve Fund Share is equal to the reserve requirement on all Outstanding Bonds multiplied by the Benefit Share. At the City's discretion, the Reserve Fund Share may be withheld from the Prepayment calculation and refunded to the Prepaying landowner at the time that bonds are called.
- Step A.5: Determine the Outstanding Bond Share by adding to the amount calculated in Step A.4 above any fees, call premiums, amounts necessary to cover negative arbitrage from the date of the prepayment to first call date on the bonds, and expenses incurred by the City in connection with the prepayment calculation or the application of the proceeds of the prepayment.

Part B: Remaining Facility Cost Share

- Step B.1: Determine the Total Facility Cost Share for the Parcel by multiplying the Benefit Share from Part A, Step A.2 above by the Anticipated Facility Costs.
- Step B.2: Determine the share of facilities funded by bonds already issued by the CFD for the Parcel by multiplying the Benefit Share by the construction proceeds made available from all such bonds issued by the CFD. These amounts shall be

adjusted to the year of Prepayment by using the Engineering News Record Construction Cost Index.

- Step B.3: Determine the share of facilities funded with any pay-as-you-go special tax revenues by multiplying the Benefit Share by the total amount of pay-as-you-go funding used to acquire authorized facilities.
- Step B.4: Determine the remaining facility cost share for the Parcel by subtracting the results from Steps B.2 and B.3 above from the Total Facility Cost Share determined in Step B.1. (Notwithstanding the above, once the City has issued all bonds for the CFD, the remaining facility cost share shall be set to zero for purposes of this prepayment calculation.)
- Step B.5: The Bond Authorization for the CFD shall be reduced by an amount equal to the amount determined in Step B.4 above multiplied by a factor of 1.15.
- Step B.6: Combine the amount from Part A Step A.5 with the amount from Part B Step B.4 to arrive at the Full Prepayment amount.**

#### Part C: Partial Prepayments

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

- Step C.1: Subtract the amount of the Partial Prepayment from the Full Prepayment amount calculated in Step B.6 above;
- Step C.2: Subtract any fixed costs (such as the cost of the Prepayment calculation and other fees that do not vary proportionally with the size of the prepayment) of the Prepayment from the Full Prepayment amount;
- Step C.3: Divide the result of Step 1 by the result of Step C.2 above; and,
- Step C.4: If a Partial Prepayment has previously been made for this Parcel, multiply the result of Step C. 3 above times the previously calculated Partial Prepayment Factor.

#### Part D: Transfers

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

- Step D1: For a Full Prepayment transfer the amount of the Reserve Fund Share.

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

## **8. ADMINISTRATIVE CHANGES AND APPEALS**

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

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

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

## **9. MANNER OF COLLECTION**

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

**Attachment 1  
Woodcreek East CFD No. 1  
Maximum Special Taxes**

Original Parcel	Land Use	Residential Units	Annual Maximum Special Tax
[1] 017-114-060	LDR	[2] 350	\$584,335
017-114-061	N/A	0	\$0

[1] Represents all Taxable Parcels at the time of CFD Formation.

[2] Represents entitlement under project Development Agreement.

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## APPENDIX D-1

### INFORMATION ABOUT HIGHLAND RESERVE NORTH CFD

#### Location and Description

Highland Reserve North CFD contains 1,487 taxable parcels and is located on the northeastern perimeter of the City. The District has been almost fully developed, with only 5 out of 1,487 parcels remaining undeveloped; the remaining parcels in the District have developed into 1,018 single-family residential parcels, 408 condominium parcels, and 56 commercial parcels. Each of the 5 remaining undeveloped parcels is expected to be developed into a commercial parcel. The District is located east of Highway 65, south of Blue Oaks Boulevard and adjacent to the Rocklin city limits in an area of the City that has experienced significant new development in the last 10-15 years.

Highland Reserve North CFD was formed by the City Council of the City in 1999, in accordance with the procedures set forth in the Act. The City is authorized to levy Special Taxes on land within Highland Reserve North CFD pursuant to the District's Rate and Method of Apportionment of Special Taxes, which is referred to herein as the Special Tax Formula for Highland Reserve North CFD. For the complete text of the Special Tax Formula for Highland Reserve North CFD, see APPENDIX C-1.

#### Assessed Valuations and Value-to-Lien Ratios

**Assessed Value of Land in Highland Reserve North CFD.** The aggregate Assessed Valuation of taxable property in the Highland Reserve North CFD (1,487 parcels), derived from the Placer County Assessor's Fiscal Year 2015-16 property tax roll, is \$730,734,138. All but 5 of the 1,487 taxable parcels within the District are developed, with the remaining 5 parcels expected to be developed into commercial uses.

**Historical Assessed Valuations.** The following table presents historical assessed valuation of taxable property in the District for the past five fiscal years.

#### ROSEVILLE FINANCE AUTHORITY Highland Reserve North CFD Historical Assessed Valuation

Fiscal Year Growth	Parcels	Assessed Value	Annual AV
2011-12	1,486	\$594,193,596	--
2012-13	1,487	593,336,003	(0.1)%
2013-14	1,487	620,535,936	4.6
2014-15	1,487	685,767,710	10.5
2015-16	1,487	730,734,138	6.6

Source: Placer County, as compiled by Willdan Financial Services.

**Overlapping Liens.** Contained within the boundaries of the District are certain overlapping local agencies providing public services and assessing property taxes, assessments, special taxes and other charges on the property in the District. Many of these local agencies have outstanding debt. The current and estimated direct and overlapping obligations affecting the property in the District are shown in the following table. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the District divided by the overlapping district's total taxable assessed value. The following table was prepared by California Municipal Statistics, Inc., and is included for general information purposes only. Neither the Authority, the City nor the Underwriter has reviewed this report for completeness or accuracy and makes no representation in connection therewith.

**ROSEVILLE FINANCE AUTHORITY  
Direct and Overlapping Debt  
Highland Reserve North CFD  
As of April 1, 2016**

2015-16 Assessed Valuation: \$746,859,138 (Land and Improvement)

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 4/1/16</u>
Roseville Joint Union High School District General Obligation Bonds	3.040%	\$2,252,838
Roseville City School District General Obligation Bonds	5.418	1,127,976
<b>City of Roseville Highland Reserve North Community Facilities District No. 1</b>	<b>100.000</b>	<b><u>20,651,000</u></b>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		<b>\$24,031,814</b>
 <u>OVERLAPPING GENERAL FUND DEBT:</u>		
Placer County Certificates of Participation	1.179%	\$ 399,936
Placer County Office of Education Certificates of Participation	1.179	17,455
Sierra Joint Community College District Certificates of Participation	0.892	70,084
Roseville Joint Union High School District Certificates of Participation	3.040	33,442
Roseville City School District Certificates of Participation	5.418	474,386
Placer Mosquito and Vector Control District Certificates of Participation	1.179	43,697
City of Roseville Certificates of Participation	4.055	<u>1,095,883</u>
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		\$2,134,883
Less: City of Roseville Certificates of Participation supported by golf course enterprise		<u>312,875</u>
TOTAL NET OVERLAPPING GENERAL FUND DEBT		\$1,822,008
 GROSS COMBINED TOTAL DEBT		 \$26,166,697 <sup>(1)</sup>
NET COMBINED TOTAL DEBT		\$25,853,822

Ratios to 2015-16 Assessed Valuation:

<b>Direct Debt (\$20,651,000)</b> .....	<b>2.77%</b>
Total Direct and Overlapping Tax and Assessment Debt.....	3.22%
Gross Combined Total Debt.....	3.50%
Net Combined Total Debt.....	3.46%

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

Source: California Municipal Statistics.

**Value-to-Lien Ratios by Range.** The following table summarizes the combined value-to-lien ratios of all property in the District against the District's CFD Bonds, by value-to-lien ratio ranges.

**ROSEVILLE FINANCE AUTHORITY**  
**Summary Value to Lien Ratios by Range – Highland Reserve North CFD**

Value to Lien Ratio	No. of Parcels	Total 2015-16 Assessed Value <sup>(1)</sup>	Total 2015-16 Special Tax	Direct Bonded Debt <sup>(2)</sup>	Overlapping Debt	Total Direct & Overlapping Debt	Value to Direct & Overlapping Debt
Greater than 50	2	\$757,964	\$1,403	\$10,914	\$3,394	\$14,307	52.98
40:1 to 49.99	138	81,487,278	193,404	1,504,626	364,840	1,869,466	43.59
30:1 to 39.99	914	410,995,746	1,307,387	10,171,082	1,839,006	12,010,088	34.22
20:1 to 29.99	413	225,256,235	983,261	7,649,474	1,007,401	8,656,875	26.02
10:1 to 19.99	15	17,823,334	124,248	966,609	79,296	1,045,904	17.04
5:1 to 9.99	4	1,752,699	32,021	249,113	7,847	256,960	6.82
3:1 to 4.99	1	344,192	12,749	99,183	1,541	100,724	3.42
<b>Total</b>	<b>1,487</b>	<b>\$738,417,448</b>	<b>\$2,654,472</b>	<b>\$20,651,000</b>	<b>\$3,303,325</b>	<b>\$23,954,324</b>	<b>30.83</b>

(1) In addition to assessed land and structure values, the total assessed value displayed includes other property assessed through the county secured property tax roll. According to the Placer County Assessor, this total assessed value includes \$7,683,310 in fixed improvements and personal property.

(2) Bonded Debt is based upon each District parcel's proportionate share of the District's Annual Maximum Tax times the principal balance of the District's CFD Bonds as of September 30, 2015.

Source: Direct and Overlapping Tax and Assessment Debt as of April 1, 2016, as compiled by California Municipal Statistics Inc.; Willdan Financial Services.

**Value-to-Lien Ratios by Development Category.** The following table summarizes the combined value-to-lien ratio of all property in the District against the District’s CFD Bonds, by development category.

**ROSEVILLE FINANCE AUTHORITY  
Value to Lien Ratios by Development Category – Highland Reserve North CFD**

Development Category <sup>(1), (2)</sup>	No. of Parcels Levied	2015-16 Assessed Values			CFD Bonded Debt <sup>(3)</sup>	% of Bonded Debt	Value to Lien
		Land	Structure	Total			
<u>SF Residential:</u>							
Developed	1,018	\$105,713,337	\$310,068,953	\$415,782,290	\$10,859,170	52.58%	38.29
<u>Condo:</u>							
Developed	408	19,722,805	70,215,602	89,938,407	2,277,763	11.03	39.49
<u>Commercial</u>							
Developed	56	64,019,679	158,896,871	222,916,550	7,165,774	34.70	31.11
Undeveloped	5	2,096,891		2,096,891	348,294	1.69	6.02
<b>Total</b>	<b>1,487</b>			<b>\$730,734,138</b>	<b>\$20,651,000</b>	<b>100.00%</b>	<b>35.38</b>

- (1) A parcel is reported as Developed if the parcel shows either a structure value on the FY 2015-16 Placer County Secured Roll or construction is “Completed” according to the City of Roseville.
- (2) A parcel is reported as Under Construction if the parcel is denoted as “Under Construction” according to the City of Roseville and the parcel shows no improvement value on the FY 2015-16 Placer County Secured Roll. A taxable parcel that is neither Developed nor Under Construction is considered Undeveloped.
- (3) Bonded Debt is based upon each parcel’s proportionate share of the District’s Annual Maximum Tax times the principal balance of the District’s CFD Bonds as of September 30, 2015.

Source: Assessed Values - Placer County 2015-16 Secured Property Roll, as compiled by Willdan Financial Services.

**Value-to-Lien Ratios for Top Ten Taxpayers.** The following table summarizes the combined value-to-lien ratio of the top ten taxpayers of property in the District against the District's CFD Bonds.

**ROSEVILLE FINANCE AUTHORITY**  
**Assessed Values and Value-to-Lien Ratios for Top Ten Taxpayers – Highland Reserve North CFD**

Property Owner	No. of Parcels	2015-16 Assessed Values			Maximum Tax	CFD Bonded Debt <sup>(1)</sup>	% of Bonded Debt	Value to Lien
		Land	Structure	Total				
Excel Highland Reserve LLC	7	\$10,225,381	\$27,989,572	\$38,214,953	\$137,336	\$1,010,970	4.90%	37.80
Blue Oaks Fairway LLC	10	6,232,057	18,340,778	24,572,835	118,810	874,595	4.24	28.10
Target Corporation	2	6,977,820	13,075,269	20,053,089	111,202	818,588	3.96	24.50
MGP IX Properties LLC	7	7,838,260	16,490,159	24,328,419	101,838	749,658	3.63	32.45
Lowe's HIW Inc.	1	6,243,100	10,341,900	16,585,000	98,041	721,704	3.49	22.98
Winco Foods LLC	1	4,117,900	8,157,100	12,275,000	76,965	566,564	2.74	21.67
Eureka Development Company	6	5,137,812	13,572,993	18,710,805	65,533	482,409	2.34	38.79
Conrad Urata 4 LLC	4	2,710,091	4,641,483	7,351,574	38,861	286,068	1.39	25.70
Patterson Stephen C & Virginia, Trustees	1	2,037,387	3,758,684	5,796,071	36,468	268,454	1.30	21.59
Fairway Creek LLC	3	805,600	6,474,400	7,280,000	29,741	218,933	1.06	33.25
<b>Total Top Ten Property Owners</b>	<b>42</b>	<b>52,325,408</b>	<b>122,842,338</b>	<b>175,167,746</b>	<b>814,795</b>	<b>5,997,943</b>	<b>29.04</b>	<b>29.20</b>
All Other Property Owners	1,445	139,227,304	416,339,088	555,566,392	1,990,561	14,653,057	70.96	37.91
<b>Total</b>	<b>1,487</b>	<b>\$191,552,712</b>	<b>\$539,181,426</b>	<b>\$730,734,138</b>	<b>\$2,805,356</b>	<b>\$20,651,000</b>	<b>100.00%</b>	<b>32.99</b>

(1) Bonded Debt is based upon each parcel's proportionate share of the District's Annual Maximum Tax times the principal balance of the District's CFD Bonds as of September 30, 2015.

Source: Assessed Values – Placer County 2015-16 Secured Property Roll, as compiled by Willdan Financial Services.

## Delinquencies

The following table is a summary of Special Tax levies, delinquencies and delinquency rates in Highland Reserve North CFD for the last five fiscal years.

**ROSEVILLE FINANCE AUTHORITY**  
**Special Tax Levies, Delinquencies and Delinquency Rates**  
**Highland Reserve North CFD**  
**Fiscal Years 2011-12 to 2015-2016 (1st Installment)**

Fiscal Year	Annual Special Taxes Levied	No. of Parcels Levied	As of Each Fiscal Year End <sup>(1)</sup>				As of January 28, 2016			
			Amount Collected	Amount Delinquent <sup>(2)</sup>	No. of Parcels Delinquent	% Levy Delinquent	Remaining Amount Collected	Remaining Amount Delinquent <sup>(2)</sup>	Remaining No. of Parcels Delinquent	% Levy Delinquent
2011-12	\$2,407,897	1,486	\$2,376,615	\$31,282	42	1.30%	\$2,406,467	\$1,430	2	0.06%
2012-13	2,471,463	1,487	2,453,445	18,018	26	0.70	2,471,463	0	0	0.00
2013-14	2,677,190	1,487	2,656,734	20,456	23	0.80	2,676,519	671	1	0.03
2014-15	2,615,500	1,487	2,607,171	8,329	9	0.30	2,614,844	656	1	0.03
2015-16 <sup>(3)</sup>	2,654,472	1,487	n/a	6,569	12	0.49	n/a	6,569	12	0.49

(1) Delinquency information as of May or June of the fiscal year in which the Special Taxes were levied except as noted.

(2) Delinquent amounts shown above do not include penalties, interest or fees.

(3) The above fiscal year 2015-16 delinquency information reflects the collection of the first installment only as the second installment collection data is not yet available. The fiscal year 2015-16 Percent Levy Delinquent reported above was calculated using the first installment delinquent amount of \$6,569 and one-half of the fiscal year 2015-16 Special Tax Levy amount shown above.

Source: Placer County Tax Collector, as compiled by Willdan Financial Services.

**APPENDIX D-2  
INFORMATION ABOUT WOODCREEK EAST CFD**

**Location and Description**

Woodcreek East CFD consists of 350 single-family units on approximately 181 gross acres and is located in the northwestern portion of the City. The District is bounded by the city-limits of the City to the north, Woodcreek Oaks Boulevard to the west and generally bounded by Blue Oaks Boulevard to the south and Foothills Boulevard to the east. For more information on Woodcreek East CFD.

Woodcreek East CFD was formed by the City Council of the City in 2000, in accordance with the procedures set forth in the Act. The City is authorized to levy Special Taxes on land within Woodcreek East CFD pursuant to the District's Rate and Method of Apportionment of Special Taxes, which is referred to herein as the Special Tax Formula for Woodcreek East CFD. For the complete text of the Special Tax Formula for Woodcreek East CFD, see APPENDIX C-2.

**Valuation and Value-to-Lien**

**Assessed Value of Land in Woodcreek East CFD.** The aggregate Assessed Valuation of taxable property in the Woodcreek East CFD (350 parcels), derived from the Placer County Assessor's Fiscal Year 2015-16 property tax roll, is \$161,707,628. As noted above, all 350 parcels have been developed into single-family homes.

**Historical Assessed Valuations.** The following table presents historical assessed valuation of taxable property in the District for the past five fiscal years.

**ROSEVILLE FINANCE AUTHORITY  
Woodcreek East CFD  
Historical Assessed Valuation**

<u>Fiscal Year</u>	<u>Parcels</u>	<u>Assessed Value</u>	<u>Annual AV Growth</u>
2011-12	350	\$130,939,584	--
2012-13	350	124,177,426	(5.2)%
2013-14	350	136,049,503	9.6
2014-15	350	155,299,433	14.1
2015-16	350	161,707,628	4.1

*Source: Placer County, as compiled by Willdan Financial Services.*

**Overlapping Liens.** Contained within the boundaries of the District are certain overlapping local agencies providing public services and assessing property taxes, assessments, special taxes and other charges on the property in the District. Many of these local agencies have outstanding debt. The current and estimated direct and overlapping obligations affecting the property in the District are shown in the following tables. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the District divided by the overlapping district's total taxable assessed value. The following table was prepared by California Municipal Statistics, Inc., and is included for general information purposes only. Neither the Authority, the City nor the Underwriter has reviewed this report for completeness or accuracy and makes no representation in connection therewith.

**ROSEVILLE FINANCE AUTHORITY  
Direct and Overlapping Debt  
Woodcreek East CFD  
As of April 1, 2016**

2015-16 Assessed Valuation: \$161,707,628 (Land and Improvement)

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 4/1/16</u>
Roseville Joint Union High School District General Obligation Bonds	0.650%	\$ 481,507
Roseville City School District General Obligation Bonds	1.158	241,086
<b>City of Roseville Woodcreek East Community Facilities District No. 1</b>	<b>100.000</b>	<b><u>4,189,000</u></b>
<b>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b>\$4,911,593</b>
 <u>OVERLAPPING GENERAL FUND DEBT:</u>		
Placer County Certificates of Participation	0.252%	\$ 85,480
Placer County Office of Education Certificates of Participation	0.252	3,731
Sierra Joint Community College District Certificates of Participation	0.191	14,979
Roseville Joint Union High School District Certificates of Participation	0.650	7,148
Roseville City School District Certificates of Participation	1.158	101,392
Placer Mosquito and Vector Control District Certificates of Participation	0.252	9,340
City of Roseville Certificates of Participation	0.867	<u>234,227</u>
<b>TOTAL GROSS OVERLAPPING GENERAL FUND DEBT</b>		<b>\$456,297</b>
Less: City of Roseville Certificates of Participation supported by golf course enterprise		<u>66,872</u>
<b>TOTAL NET OVERLAPPING GENERAL FUND DEBT</b>		<b>\$389,425</b>
 <b>GROSS COMBINED TOTAL DEBT</b>		 <b>\$5,367,890<sup>(1)</sup></b>
<b>NET COMBINED TOTAL DEBT</b>		<b>\$5,301,018</b>

Ratios to 2015-16 Assessed Valuation:

<b>Direct Debt (\$4,189,000)</b> .....	<b>2.59%</b>
Total Direct and Overlapping Tax and Assessment Debt.....	3.04%
Gross Combined Total Debt.....	3.32%
Net Combined Total Debt.....	3.28%

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

Source: California Municipal Statistics.

**Value-to-Lien Ratios by Range.** The following table summarizes the combined value-to-lien ratios of all property in the District against the District's CFD Bonds, by value-to-lien ratio ranges.

**ROSEVILLE FINANCE AUTHORITY**  
**Summary Value to Lien Ratios by Range – Woodcreek East CFD**

<b>Value to Lien Ratio</b>	<b>No. of Parcels</b>	<b>Total 2015-16 Assessed Value</b>	<b>Total 2015-16 Special Tax</b>	<b>Direct Bonded Debt<sup>(1)</sup></b>	<b>Overlapping Debt</b>	<b>Total Direct &amp; Overlapping Debt</b>	<b>Value to Direct &amp; Overlapping Debt</b>
40:1 to 49.99	26	\$15,965,594	\$36,594	\$311,183	\$71,482	\$382,665	41.72
30:1 to 39.99	231	111,425,115	325,123	2,764,740	498,031	3,262,771	34.15
20:1 to 29.99	91	33,983,078	128,079	1,089,140	151,585	1,240,725	27.39
10:1 to 19.99	1	221,243	1,407	11,969	991	12,959	17.07
5:1 to 9.99	1	112,598	1,407	11,969	504	12,473	9.03
<b>Total</b>	<b>350</b>	<b>\$161,707,628</b>	<b>\$492,611</b>	<b>\$4,189,000</b>	<b>\$722,594</b>	<b>\$4,911,594</b>	<b>32.92</b>

(1) Bonded Debt is based upon each District parcel's proportionate share of the District's Annual Maximum Tax times the principal balance of the District's CFD Bonds as of September 30, 2015.

Source: Direct and Overlapping Tax and Assessment Debt as of April 1, 2016, as compiled by California Municipal Statistics Inc.; Willdan Financial Services.

**Value-to-Lien Ratios by Development Category.** The following table summarizes the combined value-to-lien ratio of all property in the District against the District's CFD Bonds, by development category.

**ROSEVILLE FINANCE AUTHORITY**  
**Value to Lien Ratios by Development Category – Woodcreek East CFD**

Development Category <sup>(1), (2)</sup>	No. of Parcels Levied	2015-16 Assessed Values			CFD Bonded Debt <sup>(3)</sup>	% of Bonded Debt	Value to Lien
		Land	Structure	Total			
SF Residential:							
Developed	350	\$42,837,120	\$118,870,508	\$161,707,628	\$4,189,000	100.00%	38.60
<b>Total</b>	<b>350</b>			<b>\$161,707,628</b>	<b>\$4,189,000</b>	<b>100.00%</b>	<b>38.60</b>

- (1) A parcel is reported as Developed if the parcel shows either a structure value on the FY 2015-16 Placer County Secured Roll or construction is "Completed" according to the City of Roseville.
- (2) A parcel is reported as Under Construction if the parcel is denoted as "Under Construction" according to the City of Roseville and the parcel shows no improvement value on the FY 2015-16 Placer County Secured Roll. A taxable parcel that is neither Developed nor Under Construction is considered Undeveloped.
- (3) Bonded Debt is based upon each parcel's proportionate share of the District's Annual Maximum Tax times the principal balance of the District's CFD Bonds as of September 30, 2015.

Source: Assessed Values - Placer County 2015-16 Secured Property Roll, as compiled by Willdan Financial Services.

**Value-to-Lien Ratios for Top Ten Taxpayers.** The following table summarizes the combined value-to-lien ratio of the top ten taxpayers of property in the District against the District's CFD Bonds.

**ROSEVILLE FINANCE AUTHORITY**  
**Assessed Values and Value-to-Lien Ratios for Top Ten Taxpayers – Woodcreek East CFD**

Property Owner	No. of Parcels	2015-16 Assessed Values			Maximum Tax	CFD Bonded Debt <sup>(1)</sup>	% of Bonded Debt	Value to Lien
		Land	Structure	Total				
All Property Owners (All less than 1%)	350	\$42,837,120	\$118,870,508	\$161,707,628	\$584,335	\$4,189,000	100.00%	38.60
<b>Total</b>	<b>350</b>	<b>\$42,837,120</b>	<b>\$118,870,508</b>	<b>\$161,707,628</b>	<b>\$584,335</b>	<b>\$4,189,000</b>	<b>100.00%</b>	<b>38.60</b>

- (1) Bonded Debt is based upon each parcel's proportionate share of the District's Annual Maximum Tax times the principal balance the CFD Bonds as of September 30, 2015.
- Source: Assessed Values – Placer County 2015-16 Secured Property Roll, as compiled by Willdan Financial Services.

## Delinquencies

The following table is a summary of Special Tax levies, delinquencies and delinquency rates in Woodcreek East CFD for the last five fiscal years.

**ROSEVILLE FINANCE AUTHORITY**  
**Special Tax Levies, Delinquencies and Delinquency Rates**  
**Woodcreek East CFD**  
**Fiscal Years 2011-12 to 2015-2016 (1st Installment)**

Fiscal Year	Annual Special Taxes Levied	No. of Parcels Levied	As of Each Fiscal Year End <sup>(1)</sup>				As of January 28, 2016			
			Amount Collected	Amount Delinquent <sup>(2)</sup>	No. of Parcels Delinquent	% Levy Delinquent	Remaining Amount Collected	Remaining Amount Delinquent <sup>(2)</sup>	Remaining No of Parcels Delinquent	% Levy Delinquent
2011-12	\$446,642	350	\$440,261	\$6,381	7	1.4%	\$446,642	\$0	0	0.00%
2012-13	446,642	350	442,176	4,466	4	1.0	445,366	1,276	1	0.29
2013-14	462,678	350	458,051	4,627	5	1.0	461,356	1,322	1	0.29
2014-15	487,500	350	484,714	2,786	2	0.6	486,107	1,393	1	0.29
2015-16 <sup>(3)</sup>	492,611	350	n/a	3,519	5	1.4	n/a	3,519	5	1.43

(1) Delinquency information as of May or June of the fiscal year in which the Special Taxes were levied except as noted.

(2) Delinquent amounts shown above do not include penalties, interest or fees.

(3) The above fiscal year 2015-16 delinquency information reflects the collection of the first installment only as the second installment collection data is not yet available. The fiscal year 2015-16 Percent Levy Delinquent reported above was calculated using the first installment delinquent amount of \$3,519 and one-half of the fiscal year 2015-16 Special Tax Levy amount shown above.

Source: Placer County Tax Collector, as compiled by Willdan Financial Services.

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## APPENDIX E

### FORM OF BOND COUNSEL OPINION

\_\_\_\_\_, 2016

Roseville Finance Authority  
311 Vernon Street  
Roseville, California 95678

**OPINION:** \$18,555,000 Roseville Finance Authority  
Special Tax Revenue Refunding Bonds, Series 2016

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Members of the Authority:

We have acted as bond counsel to the Roseville Finance Authority (the "Authority") in connection with the delivery by the Authority of the above-referenced bonds (the "Bonds"), issued under the provisions of Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53570 of said Code (the "Refunding Bond Law"), and pursuant to an Indenture of Trust dated as of July 1, 2016 (the "Indenture"), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee. We have examined the Refunding Bond Law, an executed copy of the Indenture 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 Authority contained in the Indenture 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 our examination we are of the opinion, under existing law, that:

1. The Authority is a public agency duly organized and existing under the laws of the State of California, with power to enter into the Indenture, to perform the agreements on its part contained therein and to issue the Bonds.
2. The Bonds have been duly authorized, executed and delivered by the Authority and are legal, valid and binding obligations of the Authority, payable solely from the sources provided therefor in the Indenture.
3. The Indenture has been duly approved by the Authority and constitutes a legal, valid and binding obligation of the Authority enforceable against the Authority in accordance with its terms.
4. Pursuant to the Refunding Bond Law, the Indenture establishes a valid lien on and pledge of the Revenues (as such term is defined in the Indenture) for the security of the Bonds.

5. Interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings. The opinions set forth in the preceding sentence are subject to the condition that the Authority and the City of Roseville (the "City") comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Authority and the City have 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 ownership, sale or disposition of the Bonds, or the amount, accrual or receipt of interest on the Bonds.

6. 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 Indenture are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur. Our engagement with respect to this matter has terminated as of the date hereof.

Respectfully submitted,

A Professional Law Corporation

## APPENDIX F

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

**\$18,555,000**  
**ROSEVILLE FINANCE AUTHORITY**  
**SPECIAL TAX REVENUE REFUNDING BONDS**  
**SERIES 2016**

This Continuing Disclosure Certificate (this “Disclosure Certificate”) is executed and delivered by the City of Roseville (the “City”), for and on behalf of itself and the Roseville Finance Authority (the “Authority”), in connection with the issuance by the Authority of the Special Tax Revenue Refunding Bonds captioned above (the “Bonds”). The Bonds are generally secured by revenues derived from debt service payments made on two series of bonds issued by the City in 2006: (i) City of Roseville Highland Reserve North Community Facilities District No. 1 Special Tax Bonds, Series 2006, issued in the original principal amount of \$33,120,000 and (ii) Woodcreek East Community Facilities District No. 1 Special Tax Bonds, Series 2006, issued in the original principal amount of \$6,245,000 (together, the “CFD Bonds”). The CFD Bonds are generally secured by special taxes levied against taxable property in each respective Community Facilities District. The Bonds are being issued under an Indenture of Trust, dated as of July 1, 2016 (the “Indenture”), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”).

The City, on behalf of itself and the Authority, hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City, for and on behalf of itself and the Authority, for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule.

Section 2. Definitions. In addition to the definitions set forth above and in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

“*Annual Report*” means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“*Annual Report Date*” means the date that is 9 months after the end of the City’s Fiscal Year (currently March 31 based on the City’s Fiscal Year end of June 30).

“*Dissemination Agent*” means Willdan Financial Services, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

“*Listed Events*” means any of the events listed in Section 5(a) of this Disclosure Certificate.

“*MSRB*” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for

purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“*Official Statement*” means the final official statement executed by the Authority in connection with the issuance of the Bonds.

“*Participating Underwriter*” means RBC Capital Markets, LLC, the original underwriter of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

“*Rule*” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may be amended from time to time.

### Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2017, with the report for the 2015-16 Fiscal Year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the City) 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 the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City and the Authority may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the City’s Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder.

(b) If the City does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the City shall provide in a timely manner (or cause the Dissemination Agent to provide in a timely manner) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the City, file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The City’s Annual Report shall contain or incorporate by reference the following:

(a) The audited financial statements of the City and the Authority, together with the following statement:

THE CITY'S AND THE AUTHORITY'S ANNUAL FINANCIAL STATEMENTS ARE PROVIDED SOLELY TO COMPLY WITH THE SECURITIES EXCHANGE COMMISSION STAFF'S INTERPRETATION OF RULE 15C2-12. NO FUNDS OR ASSETS OF THE CITY OR THE AUTHORITY OTHER THAN THOSE PLEDGED UNDER THE INDENTURE ARE REQUIRED TO BE USED TO PAY DEBT SERVICE ON THE BONDS, AND NEITHER THE CITY NOR THE AUTHORITY ARE OBLIGATED TO ADVANCE AVAILABLE FUNDS FROM ANY SOURCE TO COVER ANY DELINQUENCIES. INVESTORS SHOULD NOT RELY ON THE FINANCIAL CONDITION OF THE CITY OR THE AUTHORITY IN EVALUATING WHETHER TO BUY, HOLD OR SELL THE BONDS.

The audited financial statements shall be prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If such audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Additional Items relating to the Authority and the Districts:

1. Principal amount of Bonds outstanding as of September 30th preceding the filing of the Annual Report.

2. Amount of the undrawn Reserve Surety held by Trustee. Statement of projected reserve fund draw on the Reserve Surety, if any.

3. Balance in funds and accounts held by Authority or Trustee related to the Bonds as of September 30th preceding the filing of the Annual Report.

4. The information contained in the following tables in the Official Statement: (i) "Assessed Values and Value-to-Lien Ratios for Top Ten Taxpayers – The Districts Combined", (ii) "Summary Value to Lien Ratios by Range – The Districts Combined", (iii) "Summary Value to Lien Ratios by Range – Highland Reserve North CFD" and (iv) "Summary Value to Lien Ratios by Range – Woodcreek East CFD," in each case, as of September 30th preceding the filing of the Annual Report but excluding any overlapping debt information.

5. The Special Tax levy, the delinquency rate, total amount of delinquencies, number of parcels delinquent in payment for the five most recent fiscal years for each District with outstanding CFD Bonds.

6. 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% or more of the total Special Tax levied, and the following information with respect thereto: 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.

7. For each District, additional debt authorized to be issued by the City that is payable from or secured by assessments or special taxes with respect to property within such District.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the City shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The City shall clearly identify each such other document so included by reference.

#### Section 5. Reporting of Significant Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.
- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.

- (12) Bankruptcy, insolvency, receivership or similar event of the City or other obligated person.
- (13) The consummation of a merger, consolidation, or acquisition involving the City or an obligated person, or the sale of all or substantially all of the assets of the City or an obligated person (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City shall, or shall cause the Dissemination Agent (if not the City) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Indenture.

(c) The City acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), and (a)(14) of this Section 5 contain the qualifier “if material.” The City shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that the City determines the event’s occurrence is material for purposes of U.S. federal securities law.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The City’s obligations under this Disclosure Certificate 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 5(c).

Section 8. 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 Certificate,

and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Willdan Financial Services. Any Dissemination Agent may resign by providing 30 days' written notice to the City.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first Annual Report filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to this Disclosure Certificate modifying the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Listed Event under Section 5(c).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate 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 Certificate. 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 Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. If the City fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent.

(a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, 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 its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the City hereunder, and shall not be deemed to be acting in any fiduciary capacity for the City, the Bond holders 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.

(b) 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 shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and the holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: July 14, 2016

CITY OF ROSEVILLE, for and on behalf of  
itself and the ROSEVILLE FINANCE  
AUTHORITY

By: \_\_\_\_\_  
\_\_\_\_\_

AGREED AND ACCEPTED:  
Willdan Financial Services,  
as Dissemination Agent

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT A**

**NOTICE OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Roseville Finance Authority

Name of Issue: Roseville Finance Authority Special Tax Revenue Refunding Bonds, Series 2016

Date of Issuance: July 14, 2016

NOTICE IS HEREBY GIVEN that the City of Roseville (the "City") for and on behalf of the Authority has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate, dated as of July 14, 2016, executed by and between the City and countersigned by Willdan Financial Services, as dissemination agent. The City anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

DISSEMINATION AGENT:

\_\_\_\_\_

By: \_\_\_\_\_

Its: \_\_\_\_\_

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## APPENDIX G

### DTC AND THE BOOK-ENTRY-ONLY SYSTEM

*The following description of the Depository Trust Company (“DTC”), 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 interest in the 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.*

*Neither the issuer of the Bonds (the “Issuer”) nor the trustee, fiscal agent or paying agent appointed with respect to the Bonds (the “Agent”) take any responsibility for the information contained in this Appendix.*

*No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.*

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each maturity of the Securities in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and

dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC is rated “AA+” by Standard & Poor’s. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; 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 Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices will be sent to DTC. If less than all of the Securities within a maturity are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Principal, redemption price and interest payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Agent, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption price and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. If applicable, a Beneficial Owner will give notice to elect to have its Securities purchased or tendered, through its Participant, to tender/remarketing agent, and will effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to tender/remarketing agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to tender/remarketing agent's DTC account.

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the Issuer or the Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

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**APPENDIX H**  
**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**

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## MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By \_\_\_\_\_  
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.  
31 West 52nd Street, New York, N.Y. 10019  
(212) 974-0100