NEW ISSUE-FULL BOOK ENTRY **NOT RATED**

In the opinion of Jones Hall, a Professional Law Corporation, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions and assuming (among other things) compliance with certain covenants, interest on the 2006 Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes. In the opinion of Bond Counsel, interest on the 2006 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that it is included in adjusted current earnings in calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences caused by ownership or disposition of, or the accrual or receipt of interest on, the 2006 Bonds. See "TAX MATTERS" herein.

$42,650,000
CITY OF ROSEVILLE
FIDDYMENT RANCH COMMUNITY FACILITIES DISTRICT NO. 1
SPECIAL TAX BONDS
SERIES 2006

Dated: Date of Delivery **Due: September 1, as shown on inside cover**

The bonds captioned above (the "2006 Bonds"), are being issued by the City of Roseville (the "City") by and through its Fiddyment Ranch Community Facilities District No. 1 (Public Facilities) (the "District"). The 2006 Bonds are special tax obligations of the City, authorized pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, being California Government Code Section 53311, et seq. (the "Act"), and are issued pursuant to a Fiscal Agent Agreement dated as of August 1, 2005 and a First Supplement to Fiscal Agent Agreement dated as of August 1, 2006 (together, the "Fiscal Agent Agreement") by and between the City and The Bank of New York Trust Company, N.A., as fiscal agent (the "Fiscal Agent"). The 2006 Bonds are issued to (i) construct and acquire certain public facilities of benefit to the District; (ii) provide for the establishment of a reserve fund, and (iii) pay the costs of issuance of the 2006 Bonds. Interest on the 2006 Bonds is payable March 1, 2007, and thereafter semiannually on March 1 and September 1 of each year.

The 2006 Bonds are being issued as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("**DTC**"), and will be available to ultimate purchasers in the denomination of $5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. See "APPENDIX G – BOOK-ENTRY SYSTEM."

The 2006 Bonds are secured by and payable from a pledge of Special Taxes (as defined herein) to be levied by the City on real property within the boundaries of the District, from the proceeds of any foreclosure actions brought following a delinquency in the payment of the Special Taxes, and from amounts held in certain funds under the Fiscal Agent Agreement, all as more fully described herein. The 2006 Bonds are secured on a parity with $37,350,000 original principal amount of bonds issued by the City in August 2005. **Unpaid Special Taxes do not constitute a personal indebtedness of the owners of the parcels within the District. In the event of delinquency, proceedings may be conducted only against the parcel of real property securing the delinquent Special Tax. There is no assurance the owners will be able to pay the Special Tax or that they will pay a Special Tax even though financially able to do so.** To provide funds for payment of the 2006 Bonds and the interest thereon as a result of any delinquent Special Taxes, the City will establish a Reserve Fund from proceeds of the 2006 Bonds, as described herein. See "SECURITY FOR THE BONDS."

Property in the District subject to the Special Tax comprises approximately 967 net acres for development northwest of the center of the City planned for 3,165 single family units, 1,005 multi-family units and, to a lesser extent, commercial and office uses. Most of the land in the District is currently undeveloped and a portion has been improved with certain infrastructure. See "THE DISTRICT" and "OWNERSHIP OF PROPERTY WITHIN THE DISTRICT."

The 2006 Bonds are subject to optional and mandatory redemption prior to maturity as described herein. See "THE BONDS — Redemption."

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

This cover page contains certain information for general reference only. It is not a summary of all of the provisions of the 2006 Bonds. Prospective investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. See "SPECIAL RISK FACTORS" herein for a discussion of the special risk factors that should be considered, in addition to the other matters and risk factors set forth herein, in evaluating the investment quality of the 2006 Bonds.

The 2006 Bonds are offered when, as and if issued, subject to approval as to their legality by Jones Hall, a Professional Law Corporation, San Francisco, California, Bond Counsel. Certain legal matters will also be passed on by Jones Hall, as Disclosure Counsel. Certain legal matters will be passed upon for the City by the City Attorney. It is anticipated that the 2006 Bonds will be available for delivery to DTC on or about August 24, 2006 in New York, New York.

STONE & YOUNGBERG LLC PiperJaffray.

The date of this Official Statement is August 11, 2006

MATURITY SCHEDULE

Maturity Date (September 1)	Principal Amount	Interest Rate	Price or Yield	CUSIP† (777870)
2007	$150,000	3.950%	100.000%	RL 2
2008	240,000	4.050	100.000	RM 0
2009	300,000	4.200	100.000	QW 9
2010	360,000	4.375	100.000	QX 7
2011	430,000	4.500	100.000	QY 5
2012	500,000	4.500	4.625	QZ 2
2013	575,000	4.625	4.750	RA 6
2014	655,000	4.750	4.850	RB 4
2015	740,000	4.850	4.950	RC 2
2018	1,030,000	5.000	5.050	RF 5
2019	1,145,000	5.000	5.100	RG 3
2020	1,265,000	5.000	5.120	RH 1
2021	1,385,000	5.125	5.140	RN 8

$1,760,000 5.000% Term 2006 Bond Due September 1, 2017 Price: 100.000% CUSIP†: 777870 RE 8
$8,990,000 5.125% Term 2006 Bond Due September 1, 2026 Yield: 5.180% CUSIP†: 777870 RJ 7
$23,125,000 5.250% Term 2006 Bond Due September 1, 2036 Price: 100.000% CUSIP†: 777870 RK 4

CITY OF ROSEVILLE, CALIFORNIA

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

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

SPECIAL SERVICES

Bond Counsel
Jones Hall, A Professional Law Corporation
San Francisco, California

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

Financial Advisor
Public Financial Management, Inc.
San Francisco, California

Appraiser
Seevers Jordan Ziegenmeyer
Rocklin, California

Special Tax Consultant
Goodwin Consulting Group, Inc.
Sacramento, California

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the sale of the 2006 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not to be construed as a contract with the purchasers of the 2006 Bonds.

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

Limit of Offering. No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representations in connection with the offer or sale of the 2006 Bonds other than those contained herein and if given or made, such other information or representation must not be relied upon as having been authorized by the City or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the 2006 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

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

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

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OFFICIAL STATEMENT

$42,650,000
CITY OF ROSEVILLE
FIDDYMENT RANCH COMMUNITY FACILITIES DISTRICT NO. 1
(PUBLIC FACILITIES)
SPECIAL TAX BONDS
SERIES 2006

This Official Statement, including the cover page and all Appendices hereto, is provided to furnish certain information in connection with the issuance by the City of Roseville (the "**City**") by and through its Fiddyment Ranch Community Facilities District No. 1 (Public Facilities) (the "**Community Facilities District**" or the "**District**") of the bonds captioned above (the "**2006 Bonds**").

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

INTRODUCTION

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and attached appendices, and the documents summarized or described in this Official Statement. A full review should be made of the entire Official Statement. The offering of the 2006 Bonds to potential investors is made only by means of the entire Official Statement.

Creation of the District. The 2006 Bonds are issued pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982, as amended (Sections 53311, *et seq.*, of the Government Code of the State of California) (the **"Act"**) and pursuant to a Fiscal Agent Agreement dated as of August 1, 2005 and a First Supplement to Fiscal Agent Agreement dated as of August 1, 2006 (together, the **"Fiscal Agent Agreement"**) between the City and The Bank of New York Trust Company, N.A., San Francisco, California, as fiscal agent (the **"Fiscal Agent"**) and Resolution No. 06-391 (together, the "**Resolution**") adopted on July 19, 2006, by the City Council of the City (the "**City Council**") which authorized the issuance of the 2006 Bonds payable from Special Taxes (as defined herein) levied on property within the District according to a methodology approved by the City. The 2006 Bonds represent the second series of a total of $80,000,000 of bonds authorized by the District, the first series of bonds was issued in August 2005 (the "**2005 Bonds**") in the aggregate principal amount of $37,350,000.

2006 Bond Terms. The 2006 Bonds will be dated as of and bear interest from the date of delivery thereof at the rate or rates set forth on the cover page of this Official Statement. Interest on the 2006 Bonds is payable on March 1 and September 1 of each year (each an "**Interest Payment Date**"), commencing March 1, 2007. The 2006 Bonds will be issued without coupons in denominations of $5,000 or any integral multiple thereof.

Registration of Ownership of 2006 Bonds. The 2006 Bonds will be issued only as fully registered bonds in book-entry form, registered in the name of Cede & Co., as nominee of The Depository Trust Company ("**DTC**"). Ultimate purchasers of 2006 Bonds will not receive physical certificates representing their interest in the 2006 Bonds. So long as the 2006 Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the Owners will mean Cede & Co., and will not mean the ultimate purchasers of the 2006 Bonds. Payments of the principal, premium, if any, and interest on the 2006 Bonds will be made directly to DTC, or its nominee, Cede & Co. so long as DTC or Cede & Co. is the registered owner of the 2006 Bonds. Disbursements of such payments to DTC's Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC's Participants and Indirect Participants, as more fully described herein. See "APPENDIX G – BOOK-ENTRY SYSTEM."

Use of Proceeds. Proceeds of the 2006 Bonds will primarily be used to finance a portion of the costs of acquiring and constructing certain public infrastructure improvements (the **"Improvements,"** as described herein). The Improvements consist generally of water, wastewater, drainage, roadway and other infrastructure improvements necessary for development of property within the District, as well as park and open space improvements. The Developer recently completed the backbone infrastructure improvements construction for Phase 1 and is undertaking construction of infrastructure improvements for Phase 2, with completion expected by Summer of 2007. A portion of the Improvements was financed with proceeds of the 2005 Bonds, and the cost of a substantial portion of the Improvements will be reimbursed to the Developer from proceeds of the 2006 Bonds. The Developer is required to fund any shortfall remaining after available Bond proceeds have been fully utilized. See "THE IMPROVEMENTS." Proceeds of the 2006 Bonds will also be used to increase the amount in a reserve fund established for the 2005 Bonds (described below) and available for the 2006 Bonds and to pay cost of the issuance of the 2006 Bonds.

Source of Payment of the 2006 Bonds. The 2006 Bonds are payable from special taxes (the "**Special Tax**" or "**Special Taxes**") which are to be levied by the City on taxable real property within the boundaries of the District. The 2006 Bonds are also payable from the proceeds of any foreclosure actions brought following a delinquency in payment of the Special Taxes, and from amounts held in certain funds and accounts pursuant to the Fiscal Agent Agreement, including a reserve fund, all as more fully described herein. The 2006 Bonds are payable on a parity with the 2005 Bonds. The 2005 Bonds and 2006 Bonds are together referred to herein as the **"Bonds"**. The maximum authorized indebtedness for the District is $80 million; after issuance of the 2006 Bonds, no additional bonds are expected be issued for the District (except for possible refunding bonds in the future). The Special Tax applicable to each taxable parcel in the District will be levied and collected according to the tax liability determined by the City Council through the application of a rate and method of apportionment of Special Tax for the District (the "**Special Tax Formula**") which has been approved by the City. The Special Tax Formula is set forth in APPENDIX A hereto. The Special Taxes represent liens on the parcels of land subject to a Special Tax and failure to pay the Special Taxes could result in proceedings to foreclose the delinquent property. The Special Taxes do not constitute the personal indebtedness of the owners of taxed parcels. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Special Tax Methodology" and "— Additional Bonds." See also "APPENDIX A — RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX."

In connection with the issuance of the 2005 Bonds, the City directed the Fiscal Agent to establish a Reserve Fund (the "**Reserve Fund**") from 2005 Bond proceeds in the amount of the Reserve Requirement, which amount is available to be transferred to the Bond Fund in the event of delinquencies in the payment of the Special Taxes, to the extent of such delinquencies. The amount in the Reserve Fund will be increased to the Reserve Requirement for the combined amount of 2005 Bonds and 2006 Bonds from proceeds of the 2006 Bonds upon issuance. The Reserve Fund is required to be maintained at the Reserve Requirement from moneys available under the Fiscal Agent Agreement. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Reserve Fund." If there are additional delinquencies after depletion of funds in the Reserve Fund, the City is not obligated to use City funds to pay the 2006 Bonds or supplement the Reserve Fund.

Property Subject to the Special Tax. The District is located in the northwestern portion of the City within the City's West Roseville Specific Plan. The land in the District is also known as "Fiddyment Ranch." The community is marketed to the general public as "Fiddyment Farm." Property within the District encompasses approximately 1,678 gross acres, of which approximately 967 net acres are expected to be available for development. The land has land-use entitlements for 3,165 single family residences (including 83 affordable housing homes) and 1,005 multi-family units (including 334 designated for affordable housing) consistent with the zoning designations of the West Roseville Specific Plan, as well as 39 acres of commercial and business professional uses, and the Developer currently expects the unit counts to be the same as the land-use entitlements. Lot improvements began in December 2005 and initial homebuilding activity (primarily of model homes) is underway. Most of the land in the District is owned by the master developer, Roseville Fiddyment Land Venture, LLC (the **"Developer"**), which acquired the land for lot development and sale to merchant builders. The managing member of the Developer is Signature Properties, Inc., a merchant homebuilder which currently intends to build a portion of the residential units planned for the District. The Developer has sold the initial phase of medium density planned development (comprising 803 single family lots in Phase 1) to 6 merchant homebuilders: Signature Properties, Shea Homes, KB Home, Morrison Homes, Renaissance Homes (Lennar) and Christopherson Homes. The non-residential use Phase 1 property is expected to be sold for development at an undetermined date in the future. Sale plans for Phases 2 and 3 have not been finally determined. Land in the District also includes open space and public parks not subject to the Special Tax. See "THE DISTRICT."

Appraised Value of Property. Property in the District is security for the Special Tax. The City authorized the preparation of an appraisal report for the real property within the District, which sets forth an aggregation of the bulk sale discounted value of each individual ownership entity's property in the District of $419,730,000, as of June 12, 2006. The valuation assumes completion of the Improvements funded by the 2006 Bonds and accounts for the impact of the lien of the Special Tax securing the 2005 Bonds and 2006 Bonds. See "THE IMPROVEMENTS." In considering the estimates of value evidenced by the appraisal, it should be noted that the appraisal is based upon a number of standard and special assumptions which affected the estimates as to value, in addition to the assumption of completion of the Improvements. The Improvements to be paid for with proceeds of the 2006 Bonds are not complete. See "APPRAISAL OF PROPERTY WITHIN THE DISTRICT" and Appendix B. The aggregate total of the appraised bulk sale valuation of each ownership entity of property in the District is 5.25 times the $37,350,000 aggregate principal amount of the 2005 Bonds and the $42,650,000 aggregate principal amount of the 2006 Bonds. See "APPRAISAL OF PROPERTY WITHIN THE DISTRICT."

Risks of Investment. See the section of this Official Statement entitled "SPECIAL RISK FACTORS" for a discussion of special factors that should be considered, in addition to the other matters set forth herein, in considering the investment quality of the 2006 Bonds.

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

Summary of Information. Brief descriptions of certain provisions of the Fiscal Agent Agreement, the 2006 Bonds and certain other documents are included herein. The descriptions and summaries of documents herein do not purport to be comprehensive or definitive, and reference is made to each such document for the complete details of all its respective terms and conditions, copies of which are available for inspection at the office of the Administrative Services Director of the City. All statements herein with respect to certain rights and remedies are qualified by reference to laws and principles of equity relating to or affecting creditors' rights generally. Capitalized terms used in this Official Statement and not otherwise defined herein have the meanings ascribed to such terms in the Fiscal Agent Agreement. The information and expressions of opinion herein speak only as of the date of this Official Statement and are subject to change without notice. Neither delivery of this Official Statement, any sale made hereunder, nor any future use of this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the City or the District since the date hereof.

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

THE BONDS

Authority for Issuance

The 2006 Bonds are issued pursuant to the Fiscal Agent Agreement, approved by Resolution No. 04-449 adopted by the City Council on September 15, 2004, the supplement thereto approved by Resolution No. 06-391 adopted by the City Council on July 19, 2006, and the Act.

On September 15, 2004, the City Council adopted Resolution No. 04-431 (the **"Resolution of Formation**"), which formed the District. The District was established and authorized to incur bonded indebtedness in an aggregate principal amount not to exceed $80,000,000 at a special election in the District held on the same day. The 2006 Bonds are the second series to be issued under the authorization; no additional bonds are expected to be issued for the District (except for possible refunding bonds in the future). Under the provisions of the Act, since there were fewer than 12 registered voters residing within the District at a point during the 90-day period preceding the adoption of the Resolution of Formation, the qualified electors entitled to vote in the special election consisted of 1600 Placer Investors, L.P. and a then-pending seller of land to such entity (who were then the only eligible landowners/voters in the District), who cast one vote for each gross acre or portion of an acre of land owned within the District. The landowners voted to incur the indebtedness and to approve the annual levy of Special Taxes to be collected within the District, for the purpose of paying for the Improvements, including repaying any indebtedness of the District, replenishing the Reserve Fund and paying the administrative expenses of the District. See "THE DISTRICT" herein. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Special Tax Methodology" and "APPENDIX A — RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX."

Description of the 2006 Bonds

2006 Bond Terms. The 2006 Bonds will be dated as of and bear interest from the date of delivery thereof at the rates and mature in the amounts and years, as set forth on the cover page hereof. The 2006 Bonds are being issued in the denomination of $5,000 or any integral multiple thereof.

Interest on the 2006 Bonds will be payable semiannually on March 1 and September 1 of each year (each an "**Interest Payment Date**"), commencing March 1, 2007. The principal of the 2006 Bonds and premiums due upon the redemption thereof, if any, will be payable in lawful money of the United States of America at the principal corporate trust office of the Fiscal Agent in San Francisco, California, or such other place as designated by the Fiscal Agent, upon presentation and surrender of the 2006 Bonds; provided that so long as any 2006 Bonds are in book-entry form, payments with respect to such 2006 Bonds will be made by wire transfer, or such other method acceptable to the Fiscal Agent, to DTC.

Book-Entry Only System. The 2006 Bonds are being issued as fully registered bonds, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("**DTC**"), and will be available to ultimate purchasers under the book-entry system maintained by DTC. Ultimate purchasers of 2006 Bonds will not receive physical certificates representing their interest in the 2006 Bonds. So long as the 2006 Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the Owners will mean Cede & Co., and will not mean the ultimate purchasers of the 2006 Bonds. The Fiscal Agent will make payments of the principal, premium, if any, and interest on the 2006 Bonds directly to DTC, or its nominee, Cede & Co., so long as DTC or Cede & Co. is the registered owner of the 2006 Bonds. Disbursements of such payments to DTC's Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC's Participants and Indirect Participants, as more fully described herein. See "APPENDIX G –BOOK ENTRY SYSTEM." below.

Calculation and Payment of Interest. Interest on the 2006 Bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months. Interest on the 2006 Bonds (including the final interest payment upon maturity or earlier redemption) is payable by check of the Fiscal Agent mailed on each Interest Payment Date by first class mail to the registered Owner thereof at such registered Owner's address as it appears on the registration books maintained by the Fiscal Agent at the close of business on the Record Date preceding the Interest Payment Date, or by wire transfer made on such Interest Payment Date upon written instructions received by the Fiscal Agent on or before the Record Date preceding the Interest Payment Date, of any Owner of $1,000,000 or more in aggregate principal amount of 2006 Bonds; provided that so long as any 2006 Bonds are in book-entry form, payments with respect to such 2006 Bonds will be made by wire transfer, or such other method acceptable to the Fiscal Agent, to DTC. See "APPENDIX G – BOOK ENTRY SYSTEM" below.

Each 2006 Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof unless (i) it is authenticated on an Interest Payment Date, in which event it will bear interest from such date of authentication, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the Record Date preceding such Interest Payment Date, in which event it will bear interest from such Interest Payment Date, or (iii) it is authenticated prior to the Record Date preceding the first Interest Payment Date, in which event it will bear interest from the Dated Date; provided, however, that if at the time of authentication of a 2006 Bond, interest is in default thereon, such 2006 Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon. So long as the 2006 Bonds are registered in the name of Cede & Co., as nominee of DTC, payments of the principal, premium, if any, and interest on the 2006 Bonds will be made directly to DTC, or its nominee, Cede & Co. Disbursements of such payments to DTC's Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC's Participants and Indirect Participants, as more fully described herein. See "APPENDIX G – BOOK ENTRY SYSTEM" below.

Redemption

Optional Redemption. The 2006 Bonds are subject to optional redemption from any source of available funds prior to maturity, in whole, or in part among maturities as specified by the City and by lot within a maturity, on any Interest Payment Date at the following respective redemption prices (expressed as percentages of the principal amount of the 2006 Bonds to be redeemed), plus accrued interest thereon to the date of redemption:

Redemption Dates	Redemption Price
March 1, 2007 through March 1, 2014	103%
September 1, 2014 and March 1, 2015	102
September 1, 2015 and March 1, 2016	101
September 1, 2016 and Interest Payment Dates thereafter	100

Mandatory Redemption From Prepayments. The 2006 Bonds are subject to mandatory redemption from prepayments of the Special Tax by property owners, in whole or in part among maturities as specified by the City and by lot within a maturity, or any Interest Payment Date at the following respective redemption prices (expressed as percentages of the principal amount of the 2006 Bonds to be redeemed), plus accrued interest thereon to the date of redemption:

Redemption Dates	Redemption Price
March 1, 2007 through March 1, 2014	103%
September 1, 2014 and March 1, 2015	102
September 1, 2015 and March 1, 2016	101
September 1, 2016 and Interest Payment Dates thereafter	100

Mandatory Sinking Fund Redemption. The Term 2006 Bonds maturing September 1, 2017, 2026 and 2036 are subject to mandatory sinking payment redemption in part on September 1 in each year as indicated below at a redemption price equal to 100% of the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts as set forth in the following tables:

Term Bonds of 2017

Maturity (September 1)	Principal Amount
2016	$830,000
2017 (maturity)	930,000

Term Bonds of 2026

Maturity (September 1)	Principal Amount
2022	$1,520,000
2023	1,665,000
2024	1,810,000
2025	1,975,000
2026 (maturity)	2,020,000

Term Bonds of 2036

Maturity (September 1)	Principal Amount
2027	$2,065,000
2028	2,115,000
2029	2,170,000
2030	2,220,000
2031	2,280,000
2032	2,335,000
2033	2,390,000
2034	2,450,000
2035	2,515,000
2036 (maturity)	2,585,000

The amounts in the foregoing tables will be reduced pro rata, in order to maintain substantially uniform debt service, as a result of any prior partial optional redemption or mandatory redemption of the 2006 Bonds.

Purchase In Lieu of Redemption. In lieu of redemption, moneys in the 2006 Bond Fund may be used and withdrawn by the Fiscal Agent for purchase of Outstanding 2006 Bonds, upon the filing with the Fiscal Agent of an Officer's Certificate requesting such purchase, at public or private sale as and when, and at such prices (including brokerage and other charges) as such Officer's Certificate may provide, but in no event may 2006 Bonds be purchased at a price in excess of the principal amount thereof, plus interest accrued to the date of purchase.

Redemption Procedure by Fiscal Agent. The Fiscal Agent will cause notice of any redemption to be mailed by first class mail, postage prepaid, at least 30 days but not more than 60 days prior to the date fixed for redemption, to the Securities Depositories and to one or more Information Services, and to the respective registered Owners of any 2006 Bonds designated for redemption, at their addresses appearing on the 2006 Bond registration books in the Principal Office of the Fiscal Agent; but such mailing is not a condition precedent to such redemption and failure to mail or to receive any such notice, or any defect therein, will not affect the validity of the proceedings for the redemption of such 2006 Bonds.

Such notice will state the redemption date and the redemption price and, if less than all of the then Outstanding 2006 Bonds are to be called for redemption, will designate the CUSIP numbers and 2006 Bond numbers of the 2006 Bonds to be redeemed by giving the individual CUSIP number and 2006 Bond number of each 2006 Bond to be redeemed or will state that all 2006 Bonds between two stated 2006 Bond numbers, both inclusive, are to be redeemed or that all of the 2006 Bonds of one or more maturities have been called for redemption, will state as to any 2006 Bond called in part the principal amount thereof to be redeemed, and will require that such 2006 Bonds be then surrendered at the Principal Office of the Fiscal Agent for redemption at the said redemption price, and will state that further interest on such 2006 Bonds will not accrue from and after the redemption date.

Upon the payment of the redemption price of 2006 Bonds being redeemed, each check or other transfer of funds issued for such purpose will, to the extent practicable, bear the CUSIP number identifying, by issue and maturity, the 2006 Bonds being redeemed with the proceeds of such check or other transfer.

Whenever provision is made in the Fiscal Agent Agreement for the redemption of less than all of the 2006 Bonds of any maturity, the Fiscal Agent will select the 2006 Bonds to be redeemed, from all 2006 Bonds or such given portion thereof of such maturity by lot in any manner which the Fiscal Agent in its sole discretion deems appropriate. Upon surrender of 2006 Bonds redeemed in part only, the City will execute and the Fiscal Agent will authenticate and deliver to the registered Owner, at the expense of the City, a new 2006 Bond or 2006 Bonds, of the same series and maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the 2006 Bond or 2006 Bonds.

Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the principal of, and interest and any premium on, the 2006 Bonds so called for redemption are deposited in the 2006 Bond Fund, such 2006 Bonds so called will cease to be entitled to any benefit under the Fiscal Agent Agreement other than the right to receive payment of the redemption price, and no interest will accrue thereon on or after the redemption date specified in such notice.

Transfer or Exchange of 2006 Bonds

So long as the 2006 Bonds are registered in the name of Cede & Co., as nominee of DTC, transfers and exchanges of 2006 Bonds will be made in accordance with DTC procedures. See "Appendix G" below. Any 2006 Bond may, in accordance with its terms, be transferred or exchanged by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such 2006 Bond for cancellation, accompanied by delivery of a duly written instrument of transfer in a form approved by the Fiscal Agent. Whenever any 2006 Bond or 2006 Bonds are surrendered for transfer or exchange, the City will execute and the Fiscal Agent will authenticate and deliver a new 2006 Bond or 2006 Bonds, for a like aggregate principal amount of 2006 Bonds of authorized denominations and of the same maturity. The cost for any services rendered or any expenses incurred by the Fiscal Agent in connection with any such transfer or exchange will be paid by the City. The Fiscal Agent will collect from the Owner requesting such transfer any tax or other governmental charge required to be paid with respect to such transfer or exchange.

No transfers or exchanges of 2006 Bonds will be required to be made (i) within 15 days prior to the date established by the Fiscal Agent for selection of 2006 Bonds for redemption or (ii) with respect to a 2006 Bond after such 2006 Bond has been selected for redemption.

ESTIMATED SOURCES AND USES OF FUNDS

A summary of the estimated sources and uses of funds associated with the sale of the 2006 Bonds follows:

Estimated Sources of Funds:	
Principal Amount of 2006 Bonds	$42,650,000.00
Less Original Issue Discount	(111,173.95)
Total	$42,538,826.05
Estimated Uses of Funds:	
Deposit to Improvement Fund	$38,394,613.19
Deposit to Reserve Fund	2,918,565.36
Costs of Issuance [2]	1,225,647.50
Total	$42,538,826.05

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

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Special Taxes

A Special Tax applicable to each taxable parcel in the District will be levied and collected according to the tax liability determined by the City Council through the application of the Special Tax Formula prepared by Goodwin Consulting Group, Inc., Sacramento, California (the "**Special Tax Consultant**") and set forth in APPENDIX A hereto for all taxable properties in the District. Interest and principal on the 2006 Bonds, as well as the 2005 Bonds, is payable from the annual Special Taxes to be levied and collected on taxable property within the District, from amounts held in the funds and accounts established under the Fiscal Agent Agreement (other than the Rebate Fund) and from the proceeds, if any, from the sale of such property for delinquency of such Special Taxes.

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

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

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

Special Tax Methodology

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

Determination of Special Tax Requirement. Each year, the City will determine the Special Tax Requirement of the District for the upcoming fiscal year. The "**Special Tax Requirement**" includes the following items:

(i) debt service on the bonds issued for the District;

(ii) administrative expenses and County fees;

(iii) any amounts needed to replenish bond reserve funds and to pay for delinquencies in Special Taxes for the previous Fiscal Year or anticipated for the current year; and

(iv) pay-as-you-go expenditures for authorized improvements.

The Special Tax Requirement is 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 annual 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 property which is exempt from the Special Tax pursuant to 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.

Annual Special Tax Levy. The Special Tax will be levied each year by calculating the Special Tax Requirement which needs to be generated by all Taxable Property in the District; the Special Tax (up to maximum allowable amount) the will be levied against each Taxable Property until the total scheduled Special Tax revenue equals the Special Tax Requirement, however the Special Tax Formula establishes a priority for which properties will be levied a Special Tax, with “Developed Property” (as defined in the Special Tax Formula) receiving a Special Tax levy prior to “Undeveloped Property.” For single family detached property, Developed Property is property which is shown on a Final Map recorded prior to May 1st of each Fiscal Year. See the Special Tax Formula in Appendix A. The Special Tax Formula provides that the annual Maximum Special Tax may be increased annually by the “Annual Tax Escalation Factor” which for each Fiscal Year is equal to 2% of the Maximum Special Tax in effect in the prior Fiscal Year.

Termination of the Special Tax. The Special Tax will be levied and collected (up to maximum allowable amount) for as long as needed to pay the principal and interest on the Bonds and other costs incurred in order to construct and acquire the authorized District-funded facilities and to pay the Special Tax Requirement. The Special Tax Formula provides that the Special Tax may not be levied on any parcel in the District after fiscal Year 2050-51. When all Special Tax Requirement incurred by the District have been paid, the Special Tax will cease to be levied.

Prepayment of the Special Tax. The Special Tax Formula provides that landowners may permanently satisfy all or a portion of the Special Tax by a cash settlement with the City. The amount of the prepayment required is to be calculated according to a formula set forth in the Special Tax Formula, which is generally based on the Parcel’s share of the outstanding Bonds, remaining facilities costs which have not been bonded, the Reserve Fund, fees, call premiums, negative arbitrage and any expenses incurred by the City in connection with the prepayment and expected future facilities costs.

Levy of Annual Special Tax; Maximum Special Tax

The annual Special Tax will be calculated by the City and levied to provide money for debt service on the Bonds, replenishment of the Reserve Fund, anticipated Special Tax delinquencies, administration of the District, and for payment of pay-as-you-go expenditures (to the extent permitted by the City) of the Improvements or authorized District funded facilities not funded from Bond proceeds. In no event may the City levy a Special Tax in any year above the annual Maximum Special Tax identified for each parcel in the Special Tax Formula. The initial Base Year (2004-05) annual Maximum Special Tax (which was not levied) per detached single family unit was expected to range from $1,000 to $1,366 (excluding affordable units, which are to be taxed $250 or $500 each), however these amounts are subject to adjustment based upon the actual number of units built. For Large Lot Parcels and Undeveloped Parcels, the Special Tax is based upon the gross acres or number of units planned for such parcels. There is a combined rate for high density residential parcels that reflects $500 per market rate unit and $250 per affordable unit. The Annual Maximum Special Tax is allowed to escalate by an amount not in excess of 2% per year. See “APPENDIX A - RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX” and for a table showing the expected land uses and assigned Maximum Special Taxes, see “Attachment 2” in such Appendix.

The Special Tax will be levied in an amount at least equal to the Special Tax Requirement as described in the Special Tax Formula and may be levied in an amount up to the maximum rates, which may include a pay-as-you-go component. The Special Tax Formula provides a mechanism whereby the Developer and the City may utilize the pay-as-you-go component to pay for and/or reimburse the Developer for a portion of the cost of Improvements not funded by proceeds of the bonds issued for the District, however such method of reimbursement is not presently anticipated to be utilized. In the event it is utilized, proceeds of the annual Special Tax levy will first be used to pay the Special Tax Requirement other than pay-as-you-go expenditures and second, if the levy included a pay-as-you-go component, for deposit into the Improvement Fund for authorized costs not funded from Bond proceeds. See "THE IMPROVEMENTS" and "APPRAISAL OF PROPERTY WITHIN THE DISTRICT." See also "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Special Tax Methodology" above. See "APPENDIX A - RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX" for a copy of the Special Tax Formula.

Special Tax Fund

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

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

Deposit and Use of Proceeds of Bonds

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

Delinquent Payments of Special Tax; Covenant for Superior Court Foreclosure

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

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

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

The owners of the Bonds benefit from the Reserve Fund established pursuant to the Fiscal Agent Agreement; however, if delinquencies in the payment of the Special Taxes with respect to the Bonds are significant enough to completely deplete the Reserve Fund, there could be a default or a delay in payments of principal and interest to the owners of the Bonds pending prosecution of foreclosure proceedings and receipt by the City of the proceeds of foreclosure sales. Provided that it is not levying the Special Tax at the annual Maximum Special

Tax rates set forth in the Special Tax Formula, the City may adjust (but not to exceed the annual Maximum Special Tax) the Special Taxes levied on all property within the District subject to the Special Tax to provide an amount required to pay debt service on the Bonds and to replenish the Reserve Fund.

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

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

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

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

Reserve Fund

A Reserve Fund (the **"Reserve Fund"**) was established under the original Fiscal Agent Agreement, and is being held by the Fiscal Agent. Upon delivery of the 2006 Bonds, the amount on deposit in the Reserve Fund will be increased by depositing certain proceeds of the 2006 Bonds into the Reserve Fund, such that the amount in the Reserve Fund equals the **"Reserve Requirement"** for the combined outstanding amount of 2005 Bonds and 2006 Bonds, which is at the date of calculation the lesser of 10% of the original principal amount of the Bonds, 100% of maximum annual debt service on the Bonds, or 125% of average annual debt service on the Bonds. The City is required to maintain an amount of money or other security equal to the Reserve Requirement in the Reserve Fund at all times that any Bonds are outstanding. All amounts deposited in the Reserve Fund will be used and withdrawn by the Fiscal Agent solely for the purpose of making transfers to the Bond Fund in the event of any deficiency at any time in the Bond Fund of the amount then required for payment of the principal of, and interest on, the Bonds. Whenever transfer is made from the Reserve Fund to the Bond Fund due to a deficiency in the Bond Fund, the Fiscal Agent will provide written notice thereof to the City.

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

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

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

Improvement Fund

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

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

Additional Bonds

The Resolution of Formation authorizes the issuance of up to $80 million of bonds, of which the 2005 Bonds represented the first series and the 2006 Bonds represent the second series. The City expects that the 2006 Bonds will be the final series of bonds for the District (other than the possibility of refunding bonds in the future).

The City staff and the Developer are currently under preliminary discussions regarding the potential of forming an overlapping community facilities district on a portion of the land in the District (land in Phase 3 and parcels F-9 and F-19 in Phase 2) in order to facilitate development of a possible additional 1,000 units on such land. No plans for mapping such additional units have been submitted to the City or approved. Although such new community facilities district would overlap the indicated portion of the District, the total per-home combined special taxes of the District and the new community facilities district are projected to not exceed the annual Maximum Special Tax of the District for similarly sized homes. If such an overlapping district were to be formed, the special tax of such new community facilities district will be a lien against such property on a parity to the lien of the Special Taxes.

DEBT SERVICE SCHEDULE

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

FIDDYMENT RANCH COMMUNITY FACILITIES DISTRICT NO. 1 (PUBLIC FACILITIES)
SPECIAL TAX BONDS SERIES 2005 AND SERIES 2006
DEBT SERVICE

Year Ending (Sept. 1)	2006 Bonds Principal	2006 Bonds Interest	2006 Bonds Total	2005 Bonds Debt Service	Total
2006	--	--	--	$1,997,460.19	$1,997,460.19
2007	$150,000	$2,227,712.94	$2,377,712.94	1,933,102.50	4,310,815.44
2008	240,000	2,179,297.50	2,419,297.50	1,975,815.00	4,395,112.50
2009	300,000	2,169,577.50	2,469,577.50	2,011,795.00	4,481,372.50
2010	360,000	2,156,977.50	2,516,977.50	2,055,875.00	4,572,852.50
2011	430,000	2,141,227.50	2,571,227.50	2,092,685.00	4,663,912.50
2012	500,000	2,121,877.50	2,621,877.50	2,137,485.00	4,759,362.50
2013	575,000	2,099,377.50	2,674,377.50	2,179,620.00	4,853,997.50
2014	655,000	2,072,783.76	2,727,783.76	2,224,107.50	4,951,891.26
2015	740,000	2,041,671.26	2,781,671.26	2,265,407.50	5,047,078.76
2016	830,000	2,005,781.26	2,835,781.26	2,313,582.50	5,149,363.76
2017	930,000	1,964,281.26	2,894,281.26	2,358,052.50	5,252,333.76
2018	1,030,000	1,917,781.26	2,947,781.26	2,408,677.50	5,356,458.76
2019	1,145,000	1,866,281.26	3,011,281.26	2,455,190.00	5,466,471.26
2020	1,265,000	1,809,031.26	3,074,031.26	2,502,510.00	5,576,541.26
2021	1,385,000	1,745,781.26	3,130,781.26	2,555,315.00	5,686,096.26
2022	1,520,000	1,674,800.00	3,194,800.00	2,603,030.00	5,797,830.00
2023	1,665,000	1,596,900.00	3,261,900.00	2,655,030.00	5,916,930.00
2024	1,810,000	1,511,568.76	3,321,568.76	2,711,780.00	6,033,348.76
2025	1,975,000	1,418,806.26	3,393,806.26	2,762,780.00	6,156,586.26
2026	2,020,000	1,317,587.50	3,337,587.50	2,818,030.00	6,155,617.50
2027	2,065,000	1,214,062.50	3,279,062.50	2,876,270.00	6,155,332.50
2028	2,115,000	1,105,650.00	3,220,650.00	2,932,692.50	6,153,342.50
2029	2,170,000	994,612.50	3,164,612.50	2,992,045.00	6,156,657.50
2030	2,220,000	880,687.50	3,100,687.50	3,053,822.50	6,154,510.00
2031	2,280,000	764,137.50	3,044,137.50	3,112,520.00	6,156,657.50
2032	2,335,000	644,437.50	2,979,437.50	3,176,750.00	6,156,187.50
2033	2,390,000	521,850.00	2,911,850.00	3,241,800.00	6,153,650.00
2034	2,450,000	396,375.00	2,846,375.00	3,307,160.00	6,153,535.00
2035	2,515,000	267,750.00	2,782,750.00	3,372,320.00	6,155,070.00
2036	2,585,000	135,712.50	2,720,712.50	3,436,770.00	6,157,482.50
Total	$42,650,000	$44,964,378.04	$87,614,378.04	$80,519,480.19	$168,133,858.23

The annual debt service coverage on the Bonds is shown below.

FIDDYMENT RANCH COMMUNITY FACILITIES DISTRICT NO. 1 (PUBLIC FACILITIES)
SPECIAL TAX BONDS SERIES 2005 AND SERIES 2006
DEBT SERVICE COVERAGE BASED ON MAXIMUM ANNUAL SPECIAL TAX

Year Ending (Sept. 1)	2005 Bonds Debt Service	2006 Bonds Debt Service	Total Bonds Debt Service	Maximum Annual Special Taxes [1]	Debt Service Coverage
2006	$1,997,460.19	--	$1,997,460.19	$4,661,196	233.36%
2007	1,933,102.50	$2,377,712.94	4,310,815.44	4,754,420	110.29
2008	1,975,815.00	2,419,297.50	4,395,112.50	4,849,508	110.34
2009	2,011,795.00	2,469,577.50	4,481,372.50	4,946,498	110.38
2010	2,055,875.00	2,516,977.50	4,572,852.50	5,045,428	110.33
2011	2,092,685.00	2,571,227.50	4,663,912.50	5,146,337	110.34
2012	2,137,485.00	2,621,877.50	4,759,362.50	5,249,264	110.29
2013	2,179,620.00	2,674,377.50	4,853,997.50	5,354,249	110.31
2014	2,224,107.50	2,727,783.76	4,951,891.26	5,461,334	110.29
2015	2,265,407.50	2,781,671.26	5,047,078.76	5,570,561	110.37
2016	2,313,582.50	2,835,781.26	5,149,363.76	5,681,972	110.34
2017	2,358,052.50	2,894,281.26	5,252,333.76	5,795,611	110.34
2018	2,408,677.50	2,947,781.26	5,356,458.76	5,911,524	110.36
2019	2,455,190.00	3,011,281.26	5,466,471.26	6,029,754	110.30
2020	2,502,510.00	3,074,031.26	5,576,541.26	6,150,349	110.29
2021	2,555,315.00	3,130,781.26	5,686,096.26	6,273,356	110.33
2022	2,603,030.00	3,194,800.00	5,797,830.00	6,398,823	110.37
2023	2,655,030.00	3,261,900.00	5,916,930.00	6,526,800	110.31
2024	2,711,780.00	3,321,568.76	6,033,348.76	6,657,336	110.34
2025	2,762,780.00	3,393,806.26	6,156,586.26	6,790,482	110.30
2026	2,818,030.00	3,337,587.50	6,155,617.50	6,926,292	112.52
2027	2,876,270.00	3,279,062.50	6,155,332.50	7,064,818	114.78
2028	2,932,692.50	3,220,650.00	6,153,342.50	7,206,114	117.11
2029	2,992,045.00	3,164,612.50	6,156,657.50	7,350,237	119.39
2030	3,053,822.50	3,100,687.50	6,154,510.00	7,497,241	121.82
2031	3,112,520.00	3,044,137.50	6,156,657.50	7,647,186	124.21
2032	3,176,750.00	2,979,437.50	6,156,187.50	7,800,130	126.70
2033	3,241,800.00	2,911,850.00	6,153,650.00	7,956,132	129.29
2034	3,307,160.00	2,846,375.00	6,153,535.00	8,115,255	131.88
2035	3,372,320.00	2,782,750.00	6,155,070.00	8,277,560	134.48
2036	3,436,770.00	2,720,712.50	6,157,482.50	8,443,111	137.12
Total	$80,519,480.19	$87,614,378.04	$168,133,858.23	$197,538,878	--

(1) *Source: Goodwin Consulting Group, Inc.*

THE WEST ROSEVILLE SPECIFIC PLAN

The West Roseville Specific Plan (**"WRSP"**) is the primary land use, policy and regulatory document used to guide development of the project area. The Specific Plan establishes a development framework for land use, affordable housing, resource protection, circulation, utilities and services, implementation and design. The intent is to promote the systematic and orderly development of the Plan Area. All subsequent development projects and related activities in the WRSP area are required to be consistent with the WRSP. The WRSP implements the goals and policies of the City of Roseville General Plan, and augments these goals and policies by providing specific direction to reflect conditions unique to the project and Plan Area. The General Plan serves as the long-term policy guide for the physical, economic and environmental growth of the City. The District is within the WRSP and is a component of the WSRP. The WSRP comprises the District and an adjacent development known as Westpark.

The portion of the WRSP area not included in the District is locally known as "Westpark" and encompasses approximately 1,484 gross acres, of which approximately 940 net acres are expected to be available for development. Development in that area has commenced and plans include 3,415 low- and medium-density residential homes (of which 704 lots are age-restricted units and 85 lots are designated for middle-income affordable housing units) and 845 high-density residential units (including 341 designated for affordable housing) consistent with the zoning designations of the WRSP, as well as 18.4 acres of commercial uses, 108.5 acres of industrial uses and 10.5 acres of business professional uses. Westpark is also the subject of a community facilities district established by the City concurrently with the formation of the District.

Background. In May 2001, the City Council directed staff to begin evaluating a proposal from Fiddyment Ranch Associates and Signature Properties for a mixed-use development to the west of the City. Before evaluating the specific proposal, City staff first developed a set of "Guiding Principles" that, together with the City's existing General Plan policies, would be used to guide any new development proposed to the west of the City. This would ensure that the City's typical standards for new development were met. The City Council accepted and approved the Guiding Principles in June 2001, and then directed staff to prepare a feasibility analysis that evaluated the proposal through a series of technical studies. A feasibility analysis was completed in February 2002, which evaluated the opportunities and constraints associated with the proposed development, especially as they relate to traffic, water, wastewater, solid waste, electricity, and fiscal impacts. The landowners submitted a formal application to the City in April 2002, which initiated the City's formal review process for the proposed West Roseville Specific Plan, which included preparation of a Specific Plan, Design Guidelines, Development Agreements, and an Environmental Impact Report. In October 2004 the process of annexation of the land from Placer County into Roseville's city limits was completed. At the time of WRSP approval, the Plan Area was primarily undeveloped, with previous uses consisting of limited agricultural enterprises including grazing, dry farming and poultry operations. Several residences and other structures associated with past and ongoing agricultural activities were located in the central and northern portions of the site. These include the historic Fiddyment Ranch House and outbuildings. While agricultural operations decreased over time, a portion of a working pistachio orchard and seasonal livestock grazing still existed on site.

Land Use Concept. The WRSP is planned primarily as a residential community supplemented by a mix of support and employment uses, with an overall mix and intensity of uses similar to that found in adjacent portions of the City. The project incorporates a unique mixed-use village center, forming the centerpiece of the community. The WRSP also provides for recreation, open space, employment and educational opportunities available to residents both within and outside the Plan Area.

The primary elements that comprise the form of the WRSP land use plan include: the Community Focal Points (Village Center and Activity Core); Residential Neighborhoods; a hierarchy of Service and Neighborhood Nodes; the Employment District; and the City Edge, all as more particularly described below.

Village Center - The Village Center is planned as a unique and diverse mixed-use hub of activities. The Village Center is envisioned as the heart of the WRSP, a destination where residents will meet, shop, eat, recreate, obtain services and socialize. The anticipated mix of uses may include retail, restaurant, service, office, public, theater, church, school, park and high/medium density housing. Emphasis is placed on the pedestrian, rather than the auto, and on consistency with the City's General Plan Pedestrian District level of service policy. The Village Center is modeled towards a traditional urban town center rather than a suburban shopping center. The Village Center is a part of Westpark and not a part of the District.

Activity Core - The City's Regional Sports Park is planned east of the Pleasant Grove Wastewater Treatment Plant, encompassing a portion of the required 1000-foot non-residential buffer. Immediately to the east of the Regional Sports Park is a planned high school site, and further to the east and close by, Fiddyment Park. The central proximity of these facilities, along with the inclusion of multiple vehicular, pedestrian and bicycle connection points, are intended to facilitate accessibility between facilities and to nearby residents. Combined, the park, school and adjacent open space areas generate a distinct central core of active and passive recreation, education, joint use opportunities, and community activity. The Activity Core will draw users from both within and outside the WRSP.

Residential Neighborhoods - Low density single-family residential is the predominant land use within the WRSP, and a defining characteristic of the community. The Residential Neighborhoods surround the Activity Core with approximately 40% of Plan Area units to the north and east of the Activity Core, and 60% to the south and west. Neighborhoods include a mix of low, medium and high density residential uses consistent with the character of the City. Schools and parks are located in neighborhoods within walking distance of most residences. Medium and high- density residential is incorporated, proximate to services and recreational areas and to provide a separation between single-family residential and more intense land uses. A variety of housing styles similar to that found elsewhere in the City are planned, including affordable housing and designated age restricted neighborhoods.

Service and Neighborhood Nodes - Outside of the Village Center and Activity Core, service uses and community facilities are dispersed throughout the WRSP in a hierarchy of Service and Neighborhood Nodes. The WRSP is designed to create interconnectivity between the various nodes and the surrounding neighborhoods. These linkages include pedestrian and bicycle pathways along adjacent open space, paseos and roadway corridors. In most cases, high-density residential uses have been sited adjacent to or in close proximity to the service nodes.

Service Nodes – Retail, office and other commercial/service uses are provided in Service Nodes within the WRSP. The Service Nodes consist primarily of commercial centers located along major circulation corridors. In most cases, high-density residential use has been sited adjacent to or in close proximity to the service nodes. Two Business Professional parcels have been included that may accommodate small office complexes intended to provide services to Plan Area residents.

Neighborhood Nodes - Located internally within the residential areas, the Neighborhood Nodes generally consist of a park combined with an elementary school. Where feasible, the Neighborhood Nodes are located adjacent and connected to open space areas. The Neighborhood Nodes act as a local activity amenity within each neighborhood. Neighborhood streets are planned to be organized around the nodes to provide easy vehicle and pedestrian access, and to establish the node as the visual center of the neighborhood.

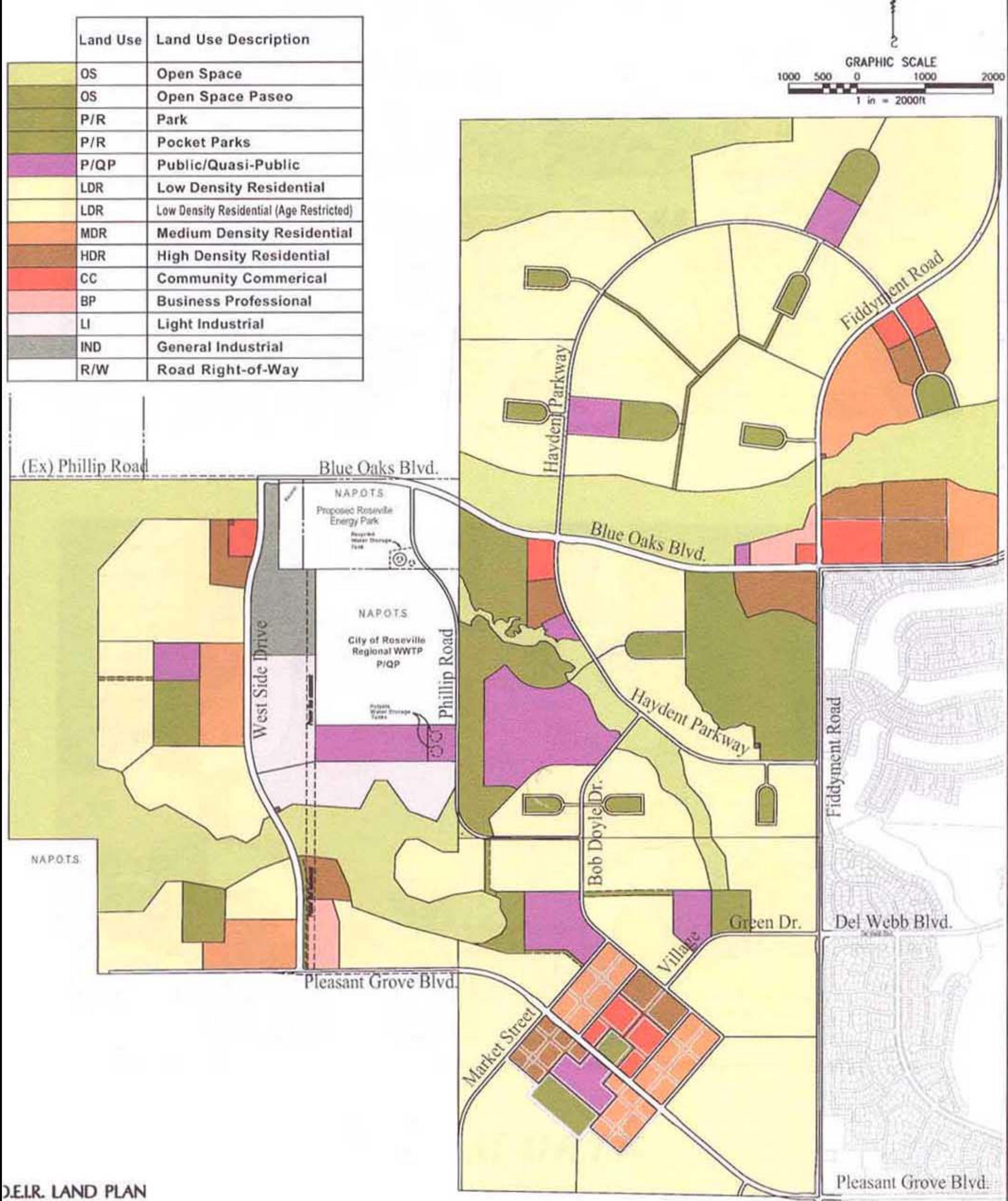
Employment District - Employment opportunities, consisting of industrial and light industrial uses, are planned to the south and west of the Pleasant Grove Wastewater Treatment Plant. These uses are intended to provide employment potential within the City. The Employment District has good regional access via Blue Oaks Boulevard, Pleasant Grove Boulevard and West Side Drive, and expands the City's job base and industrial economic development potential. Approximately 3,726 jobs (1,575 of those industrial/light industrial, 931 business professional and 1,220 commercial) are projected within the WRSP. Land uses within the industrial and light industrial area are restricted within the 1,000-foot non-residential buffer to ensure compatibility with the PGWWTP.

City Edge - The WRSP represents the planned western extent of development in the City. As a result, the Specific Plan has been configured to include a substantial open space buffer (267 acres) along its western edge. In addition to visually defining the western limits of the City, the open space area creates a transition between urban uses in Roseville and uses in unincorporated Placer County. The City Edge open space buffer may accommodate resource preservation/mitigation programs and other City sponsored activities. More development to the west and south of the WRSP is in the early stages of planning. A mixed-use community with a university campus is in the early planning stages immediately north of the WRSP in the unincorporated portion of the County.

Land Use Plan. The WRSP land use plan includes a blend of residential, service, employment, open space and public uses. The Plan Area is statistically projected to house approximately 20,800 residents and 3,726 employees. As shown on the table below, the WRSP includes a total of 8,430 dwelling units on approximately 3,161 acres. Proposed land uses include a total of approximately 685 acres set aside in open space; 285 acres for dedication to parks; 150 acres of public/quasi-public uses; 34 acres of community commercial; 20 acres of business professional; and 108 acres of industrial and light industrial uses.

WEST ROSEVILLE SPECIFIC PLAN
LAND USE PLAN

Land Use	Land Use Description
OS	Open Space
OS	Open Space Paseo
P/R	Park
P/R	Pocket Parks
P/QP	Public/Quasi-Public
LDR	Low Density Residential
LDR	Low Density Residential (Age Restricted)
MDR	Medium Density Residential
HDR	High Density Residential
CC	Community Commerical
BP	Business Professional
LI	Light Industrial
IND	General Industrial
R/W	Road Right-of-Way



D.E.I.R. LAND PLAN

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The table below shows a summary of the current planned land uses in the WRSP, which differs somewhat from the time the plan was adopted, along with the current projected land uses attributable to the respective Westpark and Fiddyment Ranch areas. Actual uses may vary from this projection.

West Roseville Specific Plan
Initially Approved Summary of Land Uses (at buildout)

	Fiddyment Ranch		Westpark		Total WRSP	
Land Use	Units	Acres	Units	Acres	Units	Acres
Market Rate						
Single-Family (1)	3,119	886.9	3,606	740.7	6,725	1,627.5
Multifamily (2)	634	49.9	228	21.5	862	71.4
Subtotal Market Rate	3,753	936.8	3,834	762.2	7,587	1,699.0
Affordable						
Single-Family (1)	46	4.7	85	11.1	131	15.9
Multifamily (2)	371	20.4	341	17.9	712	38.3
Subtotal Affordable	417	25.1	426	29.0	843	54.1
Subtotal Residential	4,170	961.9	4,260	791.2	8,430	1,753.1
Nonresidential						
Village Center Comm. Comm'l (3)	0	0.0	0	14.4	0	14.4
Community Commercial	0	30.1	0	4.0	0	34.1
Business Professional	0	9.1	0	10.5	0	19.6
Industrial and Light Industrial	0	0.0	0	108.5	0	108.5
Subtotal Nonresidential	0	39.2	0	137.4	0	176.6
Subtotal Developable	4,170	1,001.1	4,260	928.6	8,430	1,929.7
Public/Other						
Public, Quasi Public		74.5		75.9		150.4
Open Space		335.2		349.4		684.6
Parks		220.7		64.3		285.0
Right of Way (ROW)		46.9		64.4		111.3
Subtotal Public/Other		677.3		554.0		1,231.3
Grand Total	4,170	1,678.4	4,260	1,482.6	8,430	3,161.0

(1) Single-Family units include Low-Density, Medium-Density, village Center Medium-Density, and Low-Density (Active Adult).
(2) Multifamily units include Village Center High-Density and High-Density.
(3) Residential units included in Community Commercial have been excluded from this analysis.
Sources: Appraisals.

Residential uses in the West Roseville Specific Plan consist primarily of single-family neighborhoods zoned for residential development of 8,390 residential units, plus 40 units of live/work space. Approximately two-thirds of WRSP units are planned for Low Density Residential, including designated age-restricted housing. Remaining units in the WRSP are proposed for Medium Density Residential and High Density Residential (inclusive of units within the Village Center). The WRSP provides for internal park and school sites (Neighborhood Nodes), trail linkages and paseos, separated sidewalks, unique lighting fixtures, alternate garage configurations and other elements to enhance the neighborhood environment. Medium and High Density Residential uses are also incorporated within the Village Center. Residential densities have been assigned based on a plan level assessment of the constraints and opportunities of each large-lot Specific Plan parcel and anticipated long-term demand for various housing types. As individual residential projects are designed and processed over time, a more detailed assessment of site, market and other conditions will occur. It is anticipated that this process may result in the desire or need to adjust (reduce or increase) the number of units assigned to some large-lot residential parcels. It is the intent of the WRSP to permit flexibility in adjusting the number of residential units allocated to any residential large lot parcel in response to market demand, subdivision and/or design review considerations, including but not limited to transfers which do not result in additional impacts to oak trees or other natural resources. To further this intent, units may be transferred between large lot residential parcels provided certain conditions set forth in the WRSP are met.

Service and employment uses comprise approximately 176 gross acres of the WRSP land uses and are planned to consist of commercial, office, general industrial and light industrial. Included is the Village Center, envisioned as the primary focal point of the community. The Specific Plan emphasizes compatibility and interconnectivity between uses. The WRSP Design Guidelines promote the creation of projects that are desirable, functional, secure, create a strong street presence, and incorporate elements (pathways, access connections, plazas, lighting elements, shading, etc.) that promote pedestrian activity.

THE DISTRICT

Formation of the District

On August 4, 2004, the City Council adopted a Resolution of Intention to form a community facilities district under the Act, to levy a special tax and to incur bonded indebtedness for the purpose of financing the Improvements and making contributions to certain public facilities. After conducting a noticed public hearing, on September 15, 2004, the City Council adopted the Resolution of Formation, which established Fiddyment Ranch Community Facilities District No. 1 (Public Facilities), set forth the Special Tax Formula within the District and set forth the necessity to incur bonded indebtedness in a total amount not to exceed $80 million. On the same day, an election was held within the District in which the predecessor owner to Roseville Fiddyment Land Venture, LLC (who was then the only eligible landowner voter in the District) unanimously approved the proposed bonded indebtedness and the levy of the Special Tax. See "OWNERSHIP OF PROPERTY WITHIN THE DISTRICT" below.

Location and Description of the District and the Immediate Area

The District is located in the northwestern area of the City within a portion of the West Roseville Specific Plan area (described herein), approximately 20 miles northeast of the central business district of Sacramento. The process of annexation of the area to the City of Roseville was completed in October 2004. The area is generally west of existing Fiddyment Road and bounded by Phillip Road on the south and west. The Placer County/Roseville City Limit line is the northern boundary and is the western boarder north of Pleasant Grove Creek. The Placer County/Roseville City Limit line is also the western boundary of the District. Central access to the District is via Blue Oaks Boulevard, a primary east-west traffic arterial which connects to State Highway 65 and ultimately to the Interstate 80 freeway system. Interstate 80 freeway is located approximately three miles southeast of the State Highway 65/Blue Oaks Boulevard junction and merges with State Highway 65 at an interchange system.

Much of the area in this portion of the City has been experiencing a transition from largely undeveloped, agriculturally oriented uses toward a mixture of suburban land uses, and this transition has particularly intensified during the past 10 years. The predominant approved suburban land use within the City limits in the vicinity of the District is single family residential. The District is adjacent to recently constructed residential subdivisions to the south and east, including those in the Crocker Ranch and Doctor's Ranch area to the east, and in the Woodcreek Oaks and Diamond Creek area to the southeast. New home construction and sales are still underway in the vicinity of the District. Residential development in the Del Webb Specific Plan senior living development, which sold-out in 1999, lies east and southeast of the District, and residential development built mostly in the past ten years as part of the Northwest Roseville Specific Plan area lies south and southeast of the District. Lands to the north consist primarily of agricultural and rural residential uses outside of the City limits. The Pleasant Grove Regional Wastewater Treatment Plant, and other potential intensive public uses (including the proposed Roseville Energy Park), are adjacent to the southern portion of the District to the west, as are portions of the Westpark planned residential area of the WRSP. A 1,000-foot non-residential buffer is included to the north, south, east and west of the Pleasant Grove Regional Wastewater Treatment Plant.

The land in the District is generally level topography, currently with large open annual grassland areas. Kaseberg Creek, Curry Creek and Pleasant Grove Creek (main and southern branches) traverse the property, with oak woodlands lining portions of the creek corridors. Clusters of seasonal wetlands, including vernal pools, are dispersed throughout the site. The WRSP has targeted a majority of the creek corridors, associated woodlands, and a portion of the seasonal wetlands and historic structures, for preservation in permanent open space/park use.

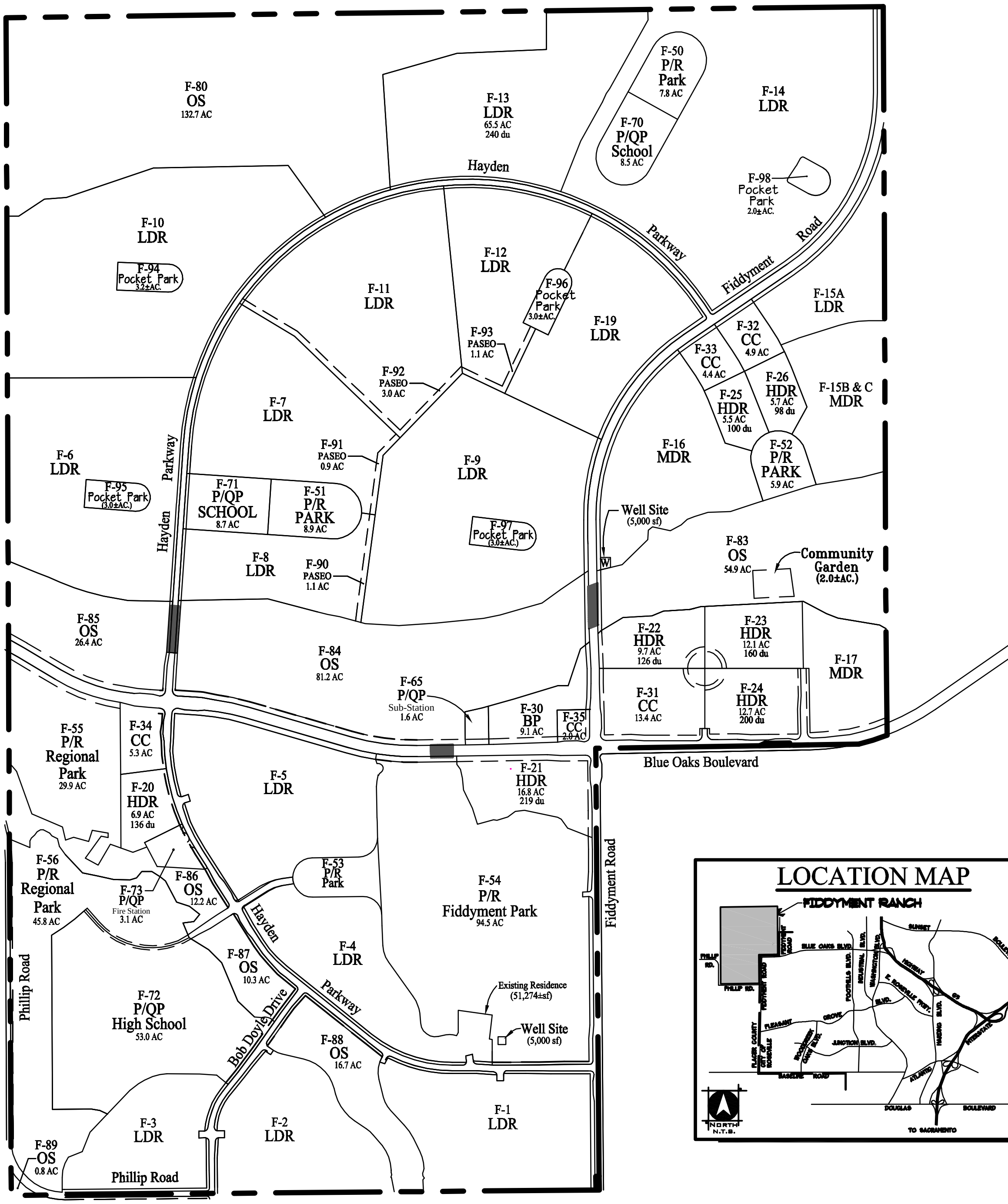
The District's current plan comprises approximately 967 net developable acres (approximately 1,678 gross acres, which includes land planned for public uses and not subject to the Special Tax) zoned for residential development of 4,170 residential units (3,165 single family, and 1,005 multi-family and approximately 31 gross acres of commercial uses, and approximately 9 acres of business professional uses, all in accordance with the West Roseville Specific Plan and a Development Agreement (described below). The District also includes land planned for parks and open space (representing approximately 504 acres) which will not be subject to the Special Tax, and approximately 167 acres of right of way and public land, also not subject to the Special Tax.

The property in the District is within the presently constituted County Assessor's Parcel Nos. 017-100-009, 017-100-010, 017-100-034, 017-100-035, 017-100-036, 017-100-040, 017-115-001, 017-115-061, 017-115-062, and 017-115-063. As property develops, new parcel numbers will be established for each parcel created by a final subdivision map.

The District represents only a portion of the West Roseville Specific Plan area, being the northern and northwestern portion of the specific plan area. The West Roseville Specific Plan area permits the development of a total of 8,430 dwelling units on approximately 3,161 gross acres. Land use and zoning entitlements provided by the West Roseville Specific Plan include full land-use entitlements, including a general plan amendment, specific plan amendment, rezone, design guidelines and a development agreement between the City and the Master Developer. See "Development Agreement" below. See also "THE WEST ROSEVILLE SPECIFIC PLAN" above. This permits development of the property to proceed through approval of subsequent development entitlements such as subdivision maps and design review permits. See "Development Agreement" below. The portion of the West Roseville Specific Plan area not included in the District is locally known as “Westpark” to the south and is expected to be developed simultaneously with development in the District. The Westpark area is planned for 4,260 residential units and certain commercial and industrial uses and is also the subject of a community facilities district formed by the City concurrently with formation of the District.

Maps. A land use, Phase 1 tentative map and District boundary map are shown on the following pages.

Fiddyment
Land Use Plan



SCALE: 1"=1500'

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3301 C St, Bldg. 100-B Tel 916.341.7760
Sacramento, CA 95816 Fax 916.341.7767

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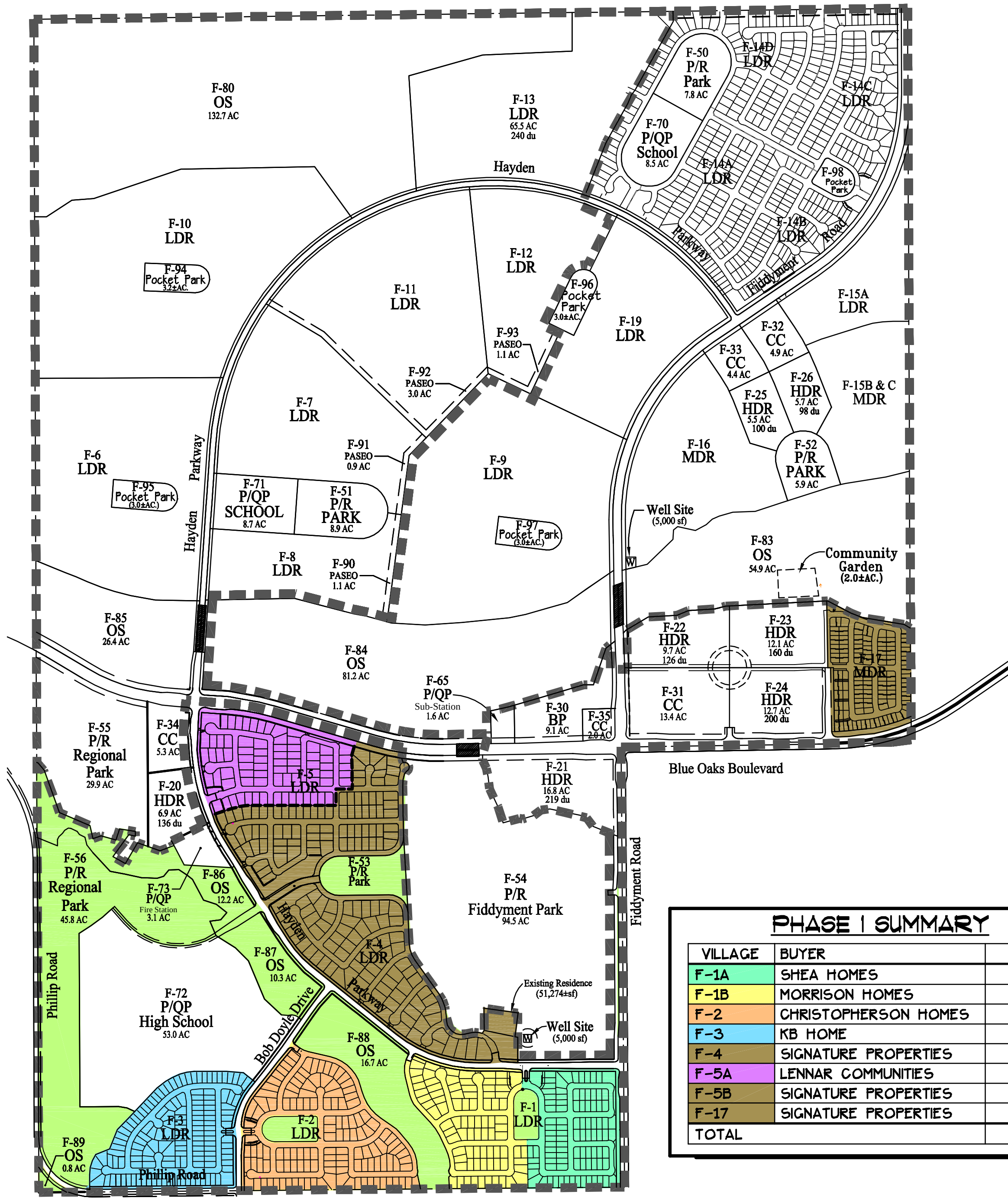
Fiddyment
Approved Tentative Maps



PHASE 1 SUMMARY

VILLAGE	BUYER	LOTS
F-1A	SHEA HOMES	93
F-1B	MORRISON HOMES	83
F-2	CHRISTOPHERSON HOMES	127
F-3	KB HOME	135
F-4	SIGNATURE PROPERTIES	77
F-5A	LENNAR COMMUNITIES	75
F-5B	SIGNATURE PROPERTIES	82
F-17	SIGNATURE PROPERTIES	131
TOTAL		803

NORTH

SCALE: 1"=1500'

PRELIMINARY

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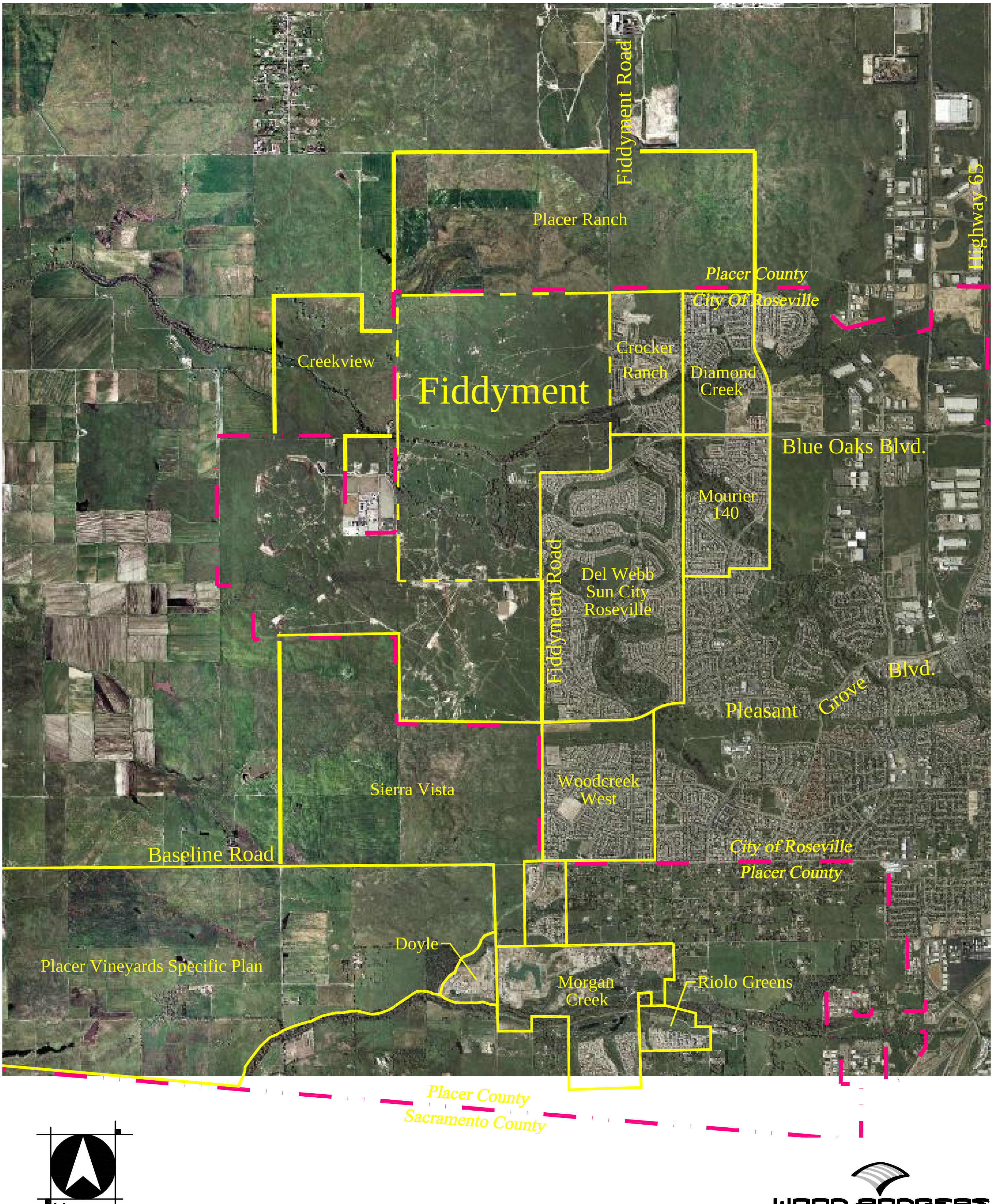
Fiddyment



SCALE: 1"=5000'

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Anticipated Development in the District

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

Development within the District is anticipated by the Developer to be consistent with the West Roseville Specific Plan land uses, which primarily consist of low density residential neighborhoods and, to a lesser extent, supporting uses such as parks, recreation, open space and supporting neighborhood land uses. Permitted land uses are configured to reinforce the neighborhood identity and sense of community. See "THE WEST ROSEVILLE SPECIFIC PLAN" above.

The Developer (Roseville Fiddyment Land Venture LLC) whose managing member is Signature Properties, Inc., is a residential homebuilder that expects to purchase and build on some of the residential lots planned for the District. The Developer currently projects that the majority of the lots will be sold to other merchant homebuilders. Beginning in Fall of 2005, 803 single family lots in Phase 1 of the project were sold to six merchant homebuilders: Signature Properties, Shea Homes, KB Home, Morrison Homes, Renaissance Homes (Lennar), and Christopherson Homes. Signature Properties may further sell some of the lots it acquires to other merchant homebuilders. The non-residential and multi-family use property is expected to be sold for development at an undetermined date in the future.

In Phase 2, the Developer expects to continue the pattern of selling the majority of single family lots to merchant builders while purchasing some of the lots for new home construction by Signature Properties. The Developer is currently in negotiations with third party merchant builders to sell lots within Villages F-14 and F-15.

Entitlements. Property within the District encompasses approximately 1,678 gross acres, of which approximately 967 net acres are expected to be available for development. The land has land-use entitlements for 3,165 single family residences (including 46 affordable housing homes) and 1,005 multi-family units (including 83 for sale and 334 rental units designated for affordable housing) consistent with the zoning designations of the West Roseville Specific Plan, as well as 40 acres of commercial and business professional uses, and the Developer currently expects the unit counts to be the same as the land-use entitlements. The entitlements permit a development proposal related to a particular parcel to proceed through tentative map subdivision and design-review permitting processes to final mapping provided the development application is in accord with the entitlements and the final map conditions. See "Development Agreement" below. The land received full land use approval on February 4, 2004, including approval of Specific Plan Zoning and a Development Agreement.

Subdivision Maps. The Developer purchased the property in February 2004. Phase 1 has an approved large lot final map and approved small lot final maps for all single-family homes. Phase 2 has an approved final large lot map. Village F-14 has an approved tentative map. The Developer is currently processing tentative maps for some of the Phase 2 villages.

Pursuant to amendments to the WRSP and the project's Development Agreement amendment which altered the land uses and allocation of affordable housing (the total number of units remained unchanged), tentative map lot counts in the Villages may vary slightly from previous plans. The Developer's current lotting plan is as follows (excluding parks, right of ways and open space parcels (approximately 671 acres), which are not subject to the Special Tax):

City of Roseville
Fiddyment Ranch Community Facilities District No. 1 (Public Facilities)
Summary of Proposed Land Uses

Designation	Proposed Land Use	Acreage	No. of Lots	No of Units	Typical Lot Size (SF)	Owner/ Developer
Phase 1						
F-1A	LDR	20.6	93	-	5,000	Shea Homes
F-1B	LDR	20.6	83	-	6,600	Morrison Homes
F-2	LDR	33.8	127	-	6,050	Christopherson Homes
F-3	LDR	24.3	135	-	4,725	KB Home
F-4	LDR	32.2	77	-	9,600	Signature Properties
F-5A	LDR	23.1	75	-	7,800	Lennar
F-5B	LDR	25.3	82	-	7,800	Signature Properties
F-17	MDR	16.0	131	-	3,200	Signature Properties
F-21	HDR	12.6	-	182	-	Signature Properties
	HDR (Affordable)	2.6	-	37	-	Signature Properties
F-22	HDR	6.8	-	82	-	Signature Properties
	HDR (Affordable)	3.6	-	44	-	Signature Properties
F-23	HDR	4.5	-	64	-	Signature Properties
	HDR (Affordable)	6.7	-	96	-	Signature Properties
F-24	HDR	7.2	-	114	-	Signature Properties
	HDR (Affordable)	5.4	-	86	-	Signature Properties
F-30	Business Professional	8.7	-	-	-	Signature Properties
F-31	Commercial	13.9	-	-	-	Signature Properties
F-35	Commercial	1.9	-	-	-	Signature Properties
Total – Phase 1		269.8	803	705		
Phase 2						
F-9A	LDR	41.0	95	310		
F-9B	LDR	31.3	111	97		
F-9C	LDR	26.7	104	107		
F-14A	LDR	22.1	97	111		
F-14B	LDR	21.4	107	107		
F-14C	LDR	28.5	111	80		
F-14D	LDR	31.3	107	102		
F-15A	LDR	17.5	80	98		
F-15B	MDR	11.9	102	98		
F-15C	MDR	12.6	98	110		
F-16A	MDR	12.6	96	109		
F-16B	MDR	8.8	64	90		
	MDR (Affordable)	6.4	46	90		
F-19	LDR	25.2	108	N/A		
F-25	HDR	4.5	-	N/A		
	HDR (Affordable)	1.3	-			
F-26	HDR	4.6	-			
	HDR (Affordable)	1.3	-			
F-32	Commercial	5.0	-			
F-33	Commercial	4.9	-			
Total - Phase 2		318.9	1,326	1,506		
Phase 3						
F-6	Low Density Resid.	63.0		187		
F-7	Low Density Resid.	35.3		111		
F-8	Low Density Resid.	31.7		91		
F-10	Low Density Resid.	86.8		227		
F-11	Low Density Resid.	40.8		99		
F-12	Low Density Resid.	54.1		167		
F-13	Low Density Resid.	54.3		154		
F-20	High Density Resid.	6.9		120		
F-34	Community Commercial	5.3		N/A		
TOTAL		378.0		1,156		
GRAND TOTAL		966.7 acres		4,170 units		

Source: The City and the Developer.

<u>Phase 1; 1,508 Units</u>. The Developer's construction Phase 1 comprises 1,508 residential units (803 medium density and 705 high density). Villages F-1 through F-5 have approved final small lot maps. The final map for Village F-17 is expected to record in August 2006.

<u>Phase 2; 1,506 Units</u>. The Developer has started processing the maps for development in Phase 2. The large lot tentative map was approved in April 2006. The large lot final map is expected to record in August 2006. Phase 2 Villages F-14A, F-14B, F-14C, and F-14D have an approved small lot and the small lot final map is expected to be recorded in October 2006. These four villages are approved for 422 single family lots.

The Developer expects to start processing the tentative maps for Villages F-15A, F-15B, and F-15C in July, August, and September 2006, respectively.

<u>Phase 3; 1,156 Units</u>. Phase 3 is planned for 1,156 units. The processing of maps for Phase 3 is expected to start late in 2007.

Projected Construction Schedule. Construction of backbone infrastructure improvements by the Developer, which include all of the Improvements to be financed with proceeds of the Bonds, for the initial 1,508 homes and multi-family units to be developed in the District, began in April 2005 and is complete. Construction of infrastructure needed for development in Phase 2 (1,506 units) started in Summer 2006 and is expected to be complete by June 2007, subject to market conditions. The construction of Phase 3 improvements is expected to commence in 2008. Upon completion of various components of such infrastructure, the Developer is eligible to be reimbursed for the cost thereof from proceeds of the Bonds.

The pace of home construction in the District will be determined to a great extent by market conditions and demand for homes. The first model homes in Phase 1 started construction in May 2006 and the sales are expected to start in late Summer of 2006. The Developer expects the construction of model homes in Phase 2 to start in Summer of 2007 with sales starting shortly thereafter.

Each merchant homebuilder will offer its own product line and establish its own pricing. The Developer estimates that most home offerings will be in the 2,000 to 3,500 square foot range, with pricing projected to start in the $400,000's for Medium Density Residential product and the $500,000's for Low Density Residential product.

Infrastructure and Utilities. The Developer completed the backbone infrastructure improvements construction for Phase 1 in the Summer of 2006. The Developer is undertaking construction of infrastructure improvements for Phase 2 and expects completion in the first quarter of 2007. These improvements include basic streets, sidewalks, water, sewer, drainage, concrete curb, gutter and paving and all of the relevant utilities in the basic streets. These Phase 2 improvements will provide access to the villages within the north-eastern portion of the District. Construction is planned to proceed as necessary to facilitate periodic sales of land to merchant builders and commencement of the merchant builders' homebuilding operations according to market demand. In general, each merchant builder is expected to buy land with tentative map approval for development and to complete the "on-site" infrastructure improvements necessary for development of the land purchased.

Total basic (sometimes referred to as "backbone") infrastructure cost for development in the entire District is estimated to be approximately $131.6 million with additional moneys required for City obligations such as fees and contributions, as well as public and school facilities of approximately $140.4 million, plus certain off-site environmental mitigation costs. The Developer is responsible for the construction of the infrastructure improvements and other costs. Proceeds of the 2005 Bonds and 2006 Bonds are expected to provide approximately $68.4 million of this cost. See "THE IMPROVEMENTS - Construction and Acquisition of the Improvements and Payment of Fees" below.

Affordable Units. Under the Development Agreement, 83 of the residential units to be constructed in the District are planned to be available for sale to buyers as detached or attached single family residential units affordable to persons in middle income households. The Developer is required to enter into an agreement with the City governing the availability of such units. The Developer anticipates that these units will be located on portions of Villages F-16 and F-21 as units to purchase. An additional 334 affordable rental units will be developed throughout the project on high density residential parcels as rental units. The Special Tax Formula provides for a reduction of one-half the otherwise applicable Special Tax for units that are the subject of the affordable housing provisions.

Utilities. All typical urban utility services will be extended to the lots. These utilities include electric power, natural gas, telephone, cable television, water, and sanitary sewer and storm water facilities. The City provides electric, police and fire services, Pacific Gas & Electric provides natural gas, and the South Placer Water Agency provides water. Sewer and storm water facilities are provided by the South Placer Municipal Sewer District.

Development Agreement

General. The Developer is a party to a development agreement dated February 18, 2004 (the **"Development Agreement"**) with the City in accordance with applicable state and local codes. The development agreement vests development rights, set forth infrastructure improvements and dedication requirements, secures the timing and methods for financing improvements, and specifies other performance obligations as related to development in the West Roseville Specific Plan area. All of the property in the District is subject to the requirements of the Development Agreement as well as the West Roseville Specific Plan. The Development Agreement was entered into in accordance with Sections 65864 through 65869.5 of the California Government Code, as implemented through Article V, Chapter 19.84 of the City's Zoning Ordinance No. 802. The Development Agreement is the primary implementation tool for the West Roseville Specific Plan and is intended to create a binding contract between the City and the Developer and their assigned successors in interest, which sets forth the needed infrastructure improvements, park dedication requirements, timing and method for financing improvements and other specific performance obligations of the City and the Developer as such obligations relate to development of the property in the District, including the terms, conditions, rules, regulations, entitlements, vested rights and other provisions relating to the development of the property in the District according to the West Roseville Specific Plan entitlements. Included are provisions relating to infrastructure improvements, public dedication requirements, landscaping amenities and other obligations of the parties. The Development Agreement has a 20-year term, runs with the property, and may be modified only by mutual consent of the City and the Developer and in a manner consistent with the West Roseville Specific Plan. With the Development Agreement in place, subject to compliance with the terms of the Development Agreement, construction of homes within the District may occur upon City approval of subdivision maps, satisfaction of certain design requirements and conditions of such maps and issuance of building permits. The Development Agreement will be binding on the Developer and all successor owner-developers of property in the District.

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

Improvements. The Development Agreement sets forth the responsibility of the Developer and its successors for a portion of the costs of certain public improvements required for its development within the West Roseville Specific Plan area. Funding of the Improvements with proceeds of the Bonds will satisfy a portion, but not all, of the relevant obligations of the District for infrastructure improvements required by the Development Agreement. The estimate of value provided in the Appraisal assumes the Improvements funded by the Bonds are in place. The improvements not funded from Bond proceeds or Special Taxes will be funded by the Developer. See "THE IMPROVEMENTS" below.

Merchant Builder Development

The Developer currently projects that the majority of the land in the District will be sold to other merchant homebuilders. Beginning in Summer 2005, initial lot offerings were marketed and sold to merchant builders; 803 single family lots in Phase 1 of the project have been sold to six merchant homebuilders since that time: Signature Properties, Shea Homes, KB Home, Morrison Homes, Renaissance Homes (Lennar) and Christopherson Homes, summarized as follows.

Village	Sold To	Units
F-4, F-5B & F-17	Signature Properties	290
F-1A	Shea Homes	93
F-1B	Morrison Homes	83
F-2	Christopherson Homes	127
F-3	KB Home	135
F-5A	Renaissance Homes (Lennar)	75
TOTAL		803

Signature Properties may further sell some of the lots it acquires to other merchant homebuilders. The non-residential and multi-family use property is expected to be sold for development at an undetermined date in the future. In Phase 2, the Developer expects to continue the pattern of selling the majority of single family lots to merchant builders while purchasing some of the lots for new home construction by Signature Properties. In early 2006, additional lot offerings commenced and negotiations are currently underway. These future lots sales are expected to include sales to certain of the merchant builders who purchased lots in Phase 1.

Signature Properties; 290 Phase 1 Lots. Signature Properties owns 290 Phase 1 residential lots in the District. The initial projection of homesite development for such lots is shown below:

Parcel	No. of Homes	Begin Home Construction	Open Model Homes	First Home Sale Closings	Initial Avg. Square Footage
F-4	77	Nov. 2006	Mar. 2007	3rd Q. 07	2,800
F-5B	82	Oct. 2006	Feb. 2007	2nd Q. 07	2,500
F-17	131	Sep. 2006	Jan. 2007	2nd Q. 07	2,000

Shea Homes; 93 Phase 1 Lots. Shea Homes owns 93 residential lots in the District. As of July 2006, Shea Homes had the Fiddyment model complex under construction, anticipating starting sales in Summer 2006.

Parcel	No. of Homes	Began Home Construction	Open Model Homes	First Home Sale Closings	Initial Avg. Square Footage
F-1A	93	April 2006	Aug. 2006	Dec. 2006	3,078

KB Home; 135 Phase 1 Lots. KB Home owns 135 residential lots in the District. As of July 2006, KB Home has substantially completed in-tract infrastructure and is planning to start the model complex and sales in Summer 2006. The initial projection of homesite development for such lots is shown below:

Parcel	No. of Homes	Begin Home Construction	Open Model Homes	First Home Sale Closings	Initial Avg. Square Footage
F-3	135	Aug. 2006	Aug. 2006	Dec. 2006	3,200

Morrison Homes; 83 Phase 1 Lots. Morrison Homes owns 83 residential lots in the District. As of July 2006, Morrison Homes had 3 model homes under construction, anticipating the start of sales in September 2006. The initial projection of development is shown below:

Parcel	No. of Homes	Begin Home Construction	Open Model Homes	First Home Sale Closings	Appx. Sq. Ft. Range
F-1B	83	Sept. 2006	Sept. 2006	Dec. 2006	2,150-3,450

Lennar; 75 Phase 1 Lots. Renaissance Homes (Lennar) owns 75 residential lots in the District. As of July 2006, Lennar is expecting to start the model complex construction in Summer 2006, commencing sales in Fall 2006. The initial projection of homesite development for such lots is shown below:

Parcel	No. of Homes	Begin Home Construction	Open Model Homes	First Home Sale Closings	Initial Avg. Square Footage
5A	75	Aug. 2006	Sept. 2006	Dec. 2006	2,890

Christopherson Homes; 127 Phase 1 Lots. Christopherson Homes owns 127 residential lots in the District. As of July 2006, Christopherson Homes has substantially completed in-tract infrastructure and is planning to start the model complex and sales in Summer 2006. The initial projection of homesite development for such lots is shown below:

Parcel	No. of Homes	Begin Home Construction	Open Model Homes	First Home Sale Closings	Initial Avg. Square Footage
F-2	117	Nov. 2006	Mar. 2007	Aug. 2007	2,862

Environmental Matters

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

Wetland Conditions. According to the City's planning department, some jurisdictional wetlands will be affected by the development within the District, however the impact has been mitigated by the Developer.

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

THE IMPROVEMENTS

Eligible Facilities

The 2006 Bonds will provide a funding source to the Developer for moneys expended for a portion of the cost of the Improvements and for certain developer fees paid or to be paid by the Developer.

The Improvements eligible to be financed by the District are set forth in the Resolution of Intention and in the Community Facilities District Hearing Report (the **"CFD Hearing Report"**) dated August 16, 2004 prepared for the Developer by Economic & Planning Systems, Inc., Sacramento, California, in connection with the formation of the District.

The eligible Improvements authorized are described in the CFD Hearing Report as follows.

Transportation Improvements. Authorized facilities include the following transportation-related improvements:

- Fiddyment Road
- Blue Oaks Boulevard
- Hayden Parkway
- Bob Doyle Drive
- Phillip Road
- Other public roadway improvement required to meet the needs of the project

Eligible roadway improvements include, but are not limited to: acquisition of land and easements; roadway design; project management; bridge crossings and culverts; clearing, grubbing, and demolition; grading, soil import/export, paving (including slurry seal), and decorative/ enhanced pavement concrete and/or pavers; joint trenches, underground utilities and undergrounding of existing overhead utilities; dry utilities and appurtenances; curbs, gutters, sidewalks, bike trails (including onsite and off-site), enhanced fencing, and access ramps; street lights, signalization, and traffic signal control system; bus turnouts; signs and striping; erosion control; median and parkway landscaping and irrigation; entry monumentation as shown in the Specific Plan; bus shelters; masonry walls; traffic control and agency fees; and other improvements related thereto. Eligible improvements for the roads listed above also include any and all necessary underground potable and non-potable water, sanitary sewer, and storm drainage system improvements.

Authorized facilities include any and all on- and off-site backbone water facilities designed to meet the needs of development in the Specific Plan. These facilities include, but are not limited to, potable and non-potable mains, valves, services and appurtenances, wells, and water treatment facilities. Eligible improvements also include the Recycled Water Storage Tank Facility. Facility improvements include, but are not limited to: site clearing, grading and paving, curbs and gutters, recycled water storage tanks, booster pump stations and all appurtenances thereto, wells, water treatment, stand-by generator; site lighting, drainage, sanitary sewer, and water service; landscaping and irrigation, access gates, and fencing; and striping and signage. Water rights acquisition, purchase of water supply, and transfer fees are also authorized improvements.

Wastewater System Improvements. Authorized facilities include any and all backbone wastewater facilities designed to meet the needs of development in the West Roseville Specific Plan. These facilities include, but are not limited to pipelines and all appurtenances thereto; manholes; tie-in to existing main line; force mains; lift stations; odor-control facilities; sewer treatment plant improvements and permitting related thereto; and related sewer system improvements. Eligible improvements also include access improvements to the Pleasant Grove Wastewater Treatment Plant.

Drainage System Improvements. Authorized facilities include any and all backbone drainage and storm drainage improvements designed to meet the needs of development in the Specific Plan. These facilities include, but are not limited to mains, pipelines and appurtenances, outfalls and water quality measures, temporary drainage facilities, detention/retention basins and drainage pretreatment facilities; drainage ways/channels, pump stations, landscaping and irrigation; access gates, and fencing; and striping and signage.

Solid Waste Improvements. Authorized facilities include any and all backbone solid waste improvements designed to meet the needs of development in the Specific Plan. Eligible improvements also include the Solid Waste Recycling Center. Facility improvements include, but are not limited to, these: site clearing, grading and paving; curbs and gutters; stand-by generator; site lighting, drainage, sanitary sewer, and water service; landscaping and irrigation; access gates, fencing, and recycle containers and bins; and striping and signage.

Park Improvements. Authorized facilities include any and all improvements to parks and paseos located in the Specific Plan.

Open Space Improvements. Authorized facilities include any and all open space improvements designed to meet the needs of development in the Specific Plan, including, but not limited to: bike trails, bike/pedestrian bridges, storm drain crossings, wetland mitigation, tree mitigation, off-site hawk mitigation, agricultural mitigation, and/or wetland mitigation, property acquisition, endowment payments for open space management, landscaping and irrigation, access gates and fencing and related open space improvements.

Utilities. Authorized facilities include any and all utility improvements designed to meet the needs of development in the Specific Plan. All utility improvements, easement payments, and land acquisition not located under or alongside transportation improvements are considered authorized facilities.

Other Expenses. In addition to the above facilities, other incidental expenses as authorized by the Mello-Roos Community Facilities Act of 1982, include, but are not limited to, these: the cost of planning, permitting, and designing the facilities (including the cost of environmental evaluation, orthophotography, environmental remediation/mitigation, and preparation of an overarching Operation and Maintenance [O&M] Plan for the City of Roseville Open Space Preserves); land acquisition and easement payments for authorized CFD facilities; project management, construction staking; engineering studies and preparation of an engineer's report for the use of recycled water; utility relocation and demolition costs incidental to the construction of the public facilities, costs associated with the creation of the CFD, issuance of bonds, determination of the amount of taxes, collection of taxes, payment of taxes, or costs otherwise incurred in order to carry out the authorized purposes of the CFD, reimbursements to other areas for infrastructure facilities serving development in the CFD, and any other expenses incidental to the construction, completion, and inspection of the facilities.

Estimated Cost of the Improvements

The total estimated construction cost of the Improvements and other project related public expenditures, as shown in the Developer's July 2006 cost estimate is approximately $272 million. Approximately $68.4 million of this amount is projected to be financed by the 2005 and 2006 Bonds. The remaining backbone infrastructure costs are anticipated to be funded by the Developer. Of the $272 million, backbone infrastructure comprises approximately $131.6 million, City/County Fees make up approximately $81.8 million, and school costs amount to approximately $58.5 million. These amounts are estimates and actual backbone infrastructure costs, City/County fees, and schools costs are expected to change as more detailed and updated information becomes available. The cost of the Improvements to be financed the 2006 Bonds will initially be paid for by the Developer, with the Developer being reimbursed for certain of such improvement expenditures from the proceeds of the 2006 Bonds, as well as the 2005 Bonds. See "OWNERSHIP OF PROPERTY WITHIN THE DISTRICT" below for a description of sources of funding available to the Developer.

Fiddyment Ranch Community Facilities District No. 1 (Public Facilities)
Summary of Authorized Facilities and Estimated Cost

Item	Projected Total Cost
Facility Costs	
Backbone Infrastructure	$131,626,000
City/County Fees [(1)]	81,850,129
Schools [(1)]	58,563,218
Total Improvements	$272,039,347

(1) 2003, inflated figure, From Table II-2 of the Fiddyment Ranch CFD No. 1 (Public Facilities) Hearing Report, September 2004, prepared by EPS.

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

The Special Tax Formula provides that the funding of Improvement costs can also be made from collections of the Special Tax available as the "pay-as-you-go" component of Special Taxes. The pay-as-you-go funding component could provide for funding of the cost of the Improvements in excess of the amount provided from Bond proceeds (if such proceeds are not sufficient) through annual Special Tax collections in excess of the amount needed to pay the debt service. The City and the Developer do not presently contemplate utilizing this funding mechanism. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Special Tax Methodology" and " – Special Tax Fund."

Construction and Acquisition of the Improvements and Payment of Fees

The Developer expects construction of the Improvements to be completed in a timely manner in order to meet the projected dates for home construction and sale in the planned phases. Construction of off-site improvements for Phase 1 development in the District commenced in April 2005 and in-tract improvements commenced in December 2005. Phase 1 backbone infrastructure is complete and Phase 2 is expected to commence in August 2006.

The development of the backbone infrastructure improvements will primarily be funded from bond proceeds and from proceeds from the sale of lots to merchant builders and equity and debt funding secured by the Developer. No loan secured by a deed of trust on the property is expected for lot development.

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

OWNERSHIP OF PROPERTY WITHIN THE DISTRICT

Unpaid Special Taxes do not constitute a personal indebtedness of the owners of the parcels within the District. There is no assurance that the present property owners or any subsequent owners will have the ability to pay the Special Taxes or that, even if they have the ability, they will choose to pay the Special Taxes. An owner may elect to not pay the Special Taxes when due and cannot be legally compelled to do so. Neither the City nor any 2006 Bondowner will have the ability at any time to seek payment directly from the owners of property within the District of the Special Tax or the principal or interest on the 2006 Bonds, or the ability to control who becomes a subsequent owner of any property within the District.

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

No assurance can be given that development of the property will be completed, or that it will be completed in a timely manner. The Special Taxes are not personal obligations of the developers or of any subsequent landowners; the 2006 Bonds are secured only by the Special Taxes and moneys available under the Fiscal Agent Agreement. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" and "SPECIAL RISK FACTORS" herein.

The Developer

All of the land within the District was acquired by Roseville Fiddyment Land Venture, LLC (**the "Developer"**) in 2004. The managing member of Developer is Signature Properties, Inc. a California corporation, a merchant homebuilder which expects to build over half of the homes planned for the District. The other members of the Developer are Signature at Fiddyment, LLC, PAMI PCCP Fiddyment LLC, and PCCP Citrus Heights, LLC. Phase 1 residential lots not to be built upon by Signature Properties, Inc. were sold to other merchant homebuilders, as described above and summarized as follows.

Phase 1 Residential Lot Sales

Village	Sold To	Units
F-4, F-5B & F-17	Signature Properties	290
F-1A	Shea Homes	93
F-1B	Morrison Homes	83
F-2	Christopherson Homes	127
F-3	KB Home	135
F-5A	Renaissance Homes Lennar)	75
TOTAL		803

Developer Ownership and Financing Structure. The Developer is a California limited liability company, the managing member of which is Signature Properties, Inc., a homebuilding entity.

Signature Properties, Inc. ("**Signature Properties**") is a privately held family-owned California Corporation headquartered in Pleasanton, owned by the Ghielmetti family. Founded in 1983 by James Ghielmetti, the company's primary business is homebuilding and land development, initially in the San Francisco Bay Area. Locally, the company established an office in 1995 and has built communities in Sacramento County, the cities of Sacramento, Davis, Lincoln, Rocklin and Roseville. Signature Properties is presently building in Sacramento, Rocklin, Lincoln, and Roseville. The company is also involved in redevelopment and revitalization projects in older cities and neighborhoods, office construction and retail center development. To date, the company has built more than 8,000 homes and expanded its operations to several areas in northern California.

Signature Properties' local operations are managed by John Bayless, division president who has over 15 years experience in real estate development and entitlements and has been part of Signature Properties since 2003.

Signature Properties has considerable experience as a master developer for high profile mixed-use master planned communities. In partnership with Nicklaus/Sierra Development, Signature Properties created the landmark community of Ruby Hill in Pleasanton and is responsible for the residential, retail, recreational and agricultural components of its 1,800-acre master plan. Included in this community was the restoration and improvement of two wineries and the establishment of more than 600 acres of vineyards.

Although Signature Properties is best known for building homes and master planned communities, the company has developed such diverse properties as office buildings, retail centers, restaurants, recreational complexes and clubhouses with comprehensive country club amenities.

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

Financing Plan. The development of the backbone infrastructure improvements and the payment of the Special Taxes will primarily be funded from bond proceeds, proceeds from the sale of lots to merchant builders, proceeds from home sales and equity and debt funding secured by the Developer. Land in the District is currently encumbered by a deed of trust in favor of Wells Fargo Bank securing acquisition financing; the available commitment is $40 million and the current outstanding principal amount is approximately $25 million.

Shea Homes. Shea Homes Limited Partnership, a California Limited Partnership ("Shea Homes") was formed in 1989 as an affiliate of J.F. Shea Co., Inc., a Nevada corporation ("J.F. Shea") to own and operate the residential building business of J.F. Shea, which was originally started in 1968. J.F. Shea is the managing general partner of Shea Homes and owns a 20% interest in Shea Homes. Shea Homes currently constructs and sells residential units primarily in California, Colorado and Arizona and builds a diverse selection of residential homes, including town homes, condominiums and detached single family homes. J.F. Shea is a family-owned corporation that has been in business for over 120 years. Together with its affiliates and subsidiaries, J.F. Shea is a builder and developer of master planned communities, homes, apartments, offices, industrial parks and neighborhood and community shopping centers and also operates as a civil infrastructure contractor and venture capital investor. The owners of J.F. Shea are members of the Shea families. J.F. Shea has been involved in a wide variety of construction activities since 1881, including such heavy construction projects as the Hoover Dam, the Golden Gate Bridge, the Washington, D.C. Metro system, the BART system in the San Francisco Bay area, and the California Aqueduct.

Information on Shea Homes and its affiliates, including current home offerings, is available on the internet from its website at www.sheahomes.com and information on J.F. Shea is available on the internet from its website at www.jfshea.com. The website addresses are given for reference and convenience only, the information on the websites may be incomplete or inaccurate and has not been reviewed by the City or the Underwriter. Nothing on the websites is a part of this Official Statement or incorporated into this Official Statement by reference.

KB Home. KB Home Corporation has domestic operating divisions in California, Arizona, Nevada, New Mexico, Colorado, Texas, Illinois, Indiana, Georgia, North Carolina, Louisiana, Maryland, , Virginia, South Carolina and Florida. Kaufman & Broad S.A., the Company's publicly-traded French subsidiary, is one of the leading homebuilders in France. In fiscal 2005, the Company delivered homes to 37,140 families in the United States and France. KB Home also offers complete mortgage services through Countrywide KB Home Loans, a joint venture with Countrywide Financial Corporation. Founded in 1957, and ranked the #1 homebuilder in Fortune Magazine's 2006 list of America's Most Admired Companies, KB Home is a Fortune 500 company listed on the New York Stock Exchange under the ticker symbol "KBH."

Information on KB Home, including current home offerings, is available on the internet from its website at www.kbhome.com. The website address is given for reference and convenience only, the information on the websites may be incomplete or inaccurate and has not been reviewed by the City or the Underwriter. Nothing on the website is a part of this Official Statement or incorporated into this Official Statement by reference.

Morrison Homes. Morrison Homes, Inc., a Delaware corporation ("Morrison Homes") is a wholly owned subsidiary of George Wimpey PLC ("Wimpey"), a British based, publicly held company, traded on the London Stock Exchange under the symbol "WMPY." Formed over 100 years ago, Wimpey began building homes during the 1920s and is now reportedly one of the largest home-builders in the world. Morrison Homes was founded in 1905 in Seattle, and since 1946 the company focus has been homebuilding and residential development. Wimpey acquired Morrison Homes in 1984. Morrison Homes currently has operations in Atlanta, Georgia; Austin, Texas; Dallas, Texas; San Antonio, Texas; Houston, Texas; Phoenix, Arizona; Jacksonville, Florida; Orlando, Florida; Sarasota, Florida; Sacramento, California and Tampa, Florida. Morrison Homes' corporate office is located in Alpharetta, Georgia. Morrison Homes currently has over 2,800 home sales annually. The Sacramento division of Morrison Homes plans to build 500 homes in the year 2006.

Information on Morrison Homes, including current home offerings, is available on the internet from its website at www.morrisonhomes.com. Information is also available on the website of Wimpey located at www.mcleanhomes.co.uk. The website addresses are given for reference and convenience only, the information on the websites may be incomplete or inaccurate and has not been reviewed by the City or the Underwriter. Nothing on the websites is a part of this Official Statement or incorporated into this Official Statement by reference.

Christopherson Homes. Christopherson Homes, Inc. was established in 1978 by Keith and Brenda Christopherson and is largely family-owned, with Keith Christopherson serving as President. The company is based in Sonoma County and has built over 3,500 homes in more than 30 communities, primarily in Napa, Sonoma, and Solano Counties. The Sacramento Division of Christopherson Homes was established in 2001.

Information on Christopherson Homes, including current home offerings, is available on the internet from its website at www.christophersonhomes.com. The website address is given for reference and convenience only, the information on the websites may be incomplete or inaccurate and has not been reviewed by the City or the Underwriter. Nothing on the website is a part of this Official Statement or incorporated into this Official Statement by reference.

Lennar. Lennar Homes of California Inc. is a wholly owned subsidiary of Lennar Corporation (NYSE: LEN). Lennar Corporation was founded in 1954, is headquartered in Miami, Florida, and is one of the nation's leading builders of homes for all generations, with operations in 63 markets. Lennar Corporation builds affordable, move-up and retirement homes. The company utilizes a marketing strategy called the Everything's Included® program. Lennar Corporation's Financial Services Division provides mortgage financing, title insurance, closing services, and insurance agency services for buyers of the company's homes and others.

For further information on Lennar, see its Internet homepage located at www.lennar.com. The website address is given for reference and convenience only, the information on the website may be incomplete or inaccurate and has not been reviewed by the City or the Underwriters. Nothing on the website is a part of this Official Statement or incorporated into this Official Statement by reference.

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

APPRAISAL OF PROPERTY WITHIN THE DISTRICT

The Appraisal

General. Seevers Jordan Ziegenmeyer, Rocklin, California (the "**Appraiser**") prepared an appraisal report dated July 6, 2006, with a date of value of June 12, 2006 (the **"Appraisal"**). The Appraisal was prepared at the request of the City.

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

Value Estimates. The Appraisal valued the fee simple estate of the taxable property in the District to estimate the hypothetical (in light of the fact that the improvements financed by the 2006 Bonds were not in place as of the date of valuation) market value of the property (as a sum of the bulk discounted value for each ownership entity), assuming completion of the improvements to be financed by the Bonds. The valuation accounts for the impact of the lien of the Special Tax and represents the hypothetical market value of all the land in the District. The property appraised excludes property in the District designated for public and quasi public purposes. The value estimate for the property as of the June 12, 2006 date of value, using the methodologies described in the Appraisal and subject to the limiting conditions and special assumptions set forth in the Appraisal, and based on the ownership of the property as of that date is $419,730,000.

The appraisal methodology used in the Appraisal is based on the subdivision development approach, which utilizes the sales comparison approach and extraction technique to estimate the aggregate value for the property's various land components. The aggregate value estimate is then integrated into the discounted cash flow portion of the subdivision development approach. The approaches to value were conducted as set forth below. See also "Assumptions and Limiting Conditions" below.

Hypothetical Condition. The improvements to be financed by the 2006 Bonds were not in place as of the date of inspection; thus, the value estimate is subject to a hypothetical condition (of such improvements being in place), defined as that which is contrary to what exists but is supposed for the purposes of analysis.

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

Market Value, Bulk Value. The value set forth in the Appraisal represents an aggregation of the bulk sale discounted value of each individual ownership entity's property in the District. The bulk sale value represents the most probable price, in a sale of parcels owned by each owner within District, to a single purchaser or sales to multiple buyers, over a reasonable absorption period discounted to present value. The discounted bulk value of the property in the District was arrived at by totaling the individual owner bulk valuations, each which represents the market value of such owner's property in the District. The sum of the hypothetical market values for the individual ownership entities represents the hypothetical cumulative value of the properties within the District, which is not the equivalent to the hypothetical market value of the District as a whole.

Owner/Developer	Units	Hypothetical Market Value
Signature Properties	290	$337,300,000
Shea Homes	93	14,890,000
Morrison Homes	83	14,060,000
Christopherson Homes	127	21,120,000
KB Home	135	21,400,000
Renaissance Homes Lennar)	75	10,960,000
TOTAL	803	$419,730,000

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

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

- According to the City's Planning Department, the tentative map for Phase I of the subject development has been approved. While the balance of the Fiddyment Ranch development does not have tentative map approval, a Development Agreement is in place between the City of Roseville and the Developer that grants the right to develop the property as planned, so long as the density, intensity, rate and timing of the development remains consistent with the West Roseville Specific Plan and the Development Agreement. In light of the fact the submitted maps are consistent with the West Roseville Specific Plan, the City's Planning Department has indicated that it does not anticipate any impediments in the approval process. The approvals should represent a routine function for the Planning Department. Thus, no discount was incorporated for the lack of entitlements. If for any reason the approval process is postponed or delayed indefinitely, the estimate of hypothetical market value would be detrimentally affected.

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

Projected Absorption Period. The Appraiser also estimated the marketing time that would be required for the disposition of the single-family residential lots, based on the historical marketing times of a number of local sales, as well as current and projected economic conditions, the impacts of present market conditions, as well as anticipated changes in the market. After considering the development timeline and scope of the project, the Appraiser estimated the single-family residential component could transfer within two years of exposure on the market. Thus, the discounted cash flow analysis reflected sales of residential lots over a two-year period. The estimate takes into account the time and process associated with delivering developable parcels. The Appraiser also estimated the absorption for the multi-family and commercial components of the project and concluded that the multi-family could sell in the third year of development. The Appraiser projected commercial (retail) land areas could sell in years two and three. Similarly, the office land component was estimated to transfer by year three. See "APPENDIX B — THE APPRAISAL."

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

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

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

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

Value to Special Tax Burden Ratios

The Appraisal sets forth the estimated market value of the property (as a sum of the bulk discounted value for each ownership entity), subject to the Special Tax lien, of all taxable property within the District to be $419,730,000 subject to the limiting conditions stated therein. (See "The Appraisal" above and Appendix B hereto.) The principal amount of the 2005 Bonds is $37,350,000 and the principal amount of the 2006 Bonds is $42,650,000, for total Bonds of 80,000,000. Consequently, the estimated bulk sale discounted value, subject to the Special Tax lien, of the real property within the District, is approximately 5.25 times the principal amount of the Bonds.

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

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

Overlapping Liens and Priority of Lien

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

Set forth below is an overlapping debt table showing the existing authorized indebtedness payable with respect to property within the District. This table has been prepared by California Municipal Statistics Inc. as of the date indicated, and is included for general information purposes only. The City has not reviewed the data for completeness or accuracy and makes no representations in connection therewith.

City of Roseville
Fiddyment Ranch Community Facilities District No. 2 (Public Services)
Summary of Overlapping Debt

2005-06 Local Secured Assessed Valuation: $37,179,865

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 8/1/06	
Roseville Joint Union High School District	0.198%	$111,221	
Roseville City School District	0.386	146,361	
City of Roseville Fiddyment Ranch Community Facilities District	**100.**	**37,350,000**	(1)
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$37,607,582	
OVERLAPPING GENERAL FUND DEBT:			
Placer County Certificates of Participation	0.085%	$19,095	
Placer County Office of Education Certificates of Participation	0.085	2,452	
Sierra Joint Community College District Certificates of Participation	0.062	6,634	
Roseville Joint Union High School District Certificates of Participation	0.204	11,332	
Roseville City School District Certificates of Participation	0.411	77,371	
City of Roseville Certificates of Participation	0.280	66,640	
TOTAL OVERLAPPING GENERAL FUND DEBT		$183,524	
COMBINED TOTAL DEBT		$37,791,106	(2)

(1) Excludes Mello-Roos Act bonds to be sold.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2005-06 Assessed Valuation:
Direct Debt ($37,350,000)..100.46%
Total Direct and Overlapping Tax and Assessment Debt.............101.15%
Combined Total Debt...101.64%

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

Source: California Municipal Statistics.

Property in the District is also subject to an annual non-bonded special tax of the City's Fiddyment Ranch Community Facilities District No. 2 (Public Services) in the annual amount of $394 per single family residential unit ($197 for affordable units), $115 per high-density (multifamily) residential unit ($59 for affordable units), $839/acre for commercial and $596/acre for business professional, subject to escalation, and (ii) the City's Community Facilities District No. 3 (Municipal Services) in the annual amount of $293 per low- or medium-density residential unit ($146.50 for affordable units). All of the property in the District is also within these service districts. These districts are not authorized to issue bonds. The special tax levy will be on a parity to the lien securing the Special Tax. The maximum annual special taxes for such overlapping districts may escalate by no more than 4% annually. The property is not subject to any other special tax or assessment liens (other than the lien of the Special Tax).

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

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

Estimated Tax Burden on Single Family Home

The following table sets forth the estimated total tax burden on a hypothetical $500,000 single family home in the District, based on estimated Special Tax rates for Fiscal Year 2006-07.

Item	Single Family (market-rate) Low-Density
Sales Price (est, 2,100 sq. foot home) (1)	$500,000.00
Homeowner's Exemption (2)	(7,000.00)
Assessed Value of Home	**493,000.00**
Property Taxes – Ad Valorem	
Property Tax (1%)	4,930.00
Placer County Mosquito Abatement District	13.00
City of Roseville High School District (2006)	109.05
City of Roseville Elementary School District (2002)	86.89
City of Roseville Elementary School District (1992)	94.21
Placer County Water Agency Zone 1	16.00
Subtotal Ad Valorem	**5,249.15**
CFD Infrastructure and Services	
CFD #1 (3)	1,366.00
CFD #2 SD (4)	393.71
CFD #3 Municipal Services District (5)	293.00
Subtotal CFD Infrastructure and Services	**2,052.71**
Total Taxes and Assessments 2005/06	**$7,301.86**
Taxes/Assessments as a % of Sales Price	**1.46%**

(1) Based on information provided by The Gregory Group.
(2) The assessed value of the home is the sales price, less any allowable exemptions. An owner-occupied residence is allowed a $7,000 annual exemption against the assessed value.
(3) Maximum Special Taxes in infrastructure CFD is structured to escalate no more than 2% annually.
(4) Maximum Special Taxes in services CFDs are structured to escalate no more than 4% annually.
(5) Maximum Special Taxes are subject to annual escalation factor, however the tax rates have not been escalated since the base year.

Sources: City of Roseville, Placer County Auditor/Controller's Office

SPECIAL RISK FACTORS

The purchase of the 2006 Bonds described in this Official Statement involves a degree of risk that may not be appropriate for some investors. The following includes a discussion of some of the risks which should be considered before making an investment decision.

Limited Obligation of the City to Pay Debt Service

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

Concentration of Ownership

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

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

Appraised Values

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

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

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

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

Property Values and Property Development

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

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

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

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

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

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

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

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

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

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

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

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

The values set forth in the Appraisal do not take into account the possible reduction in marketability and value of any of the parcels within the District by reason of the possible liability of the owner (or operator) for the remedy of a hazardous substance condition on a parcel. Although the City is not aware that the owner (or operator) of any of the property within the District has a current liability for a hazardous substance with respect to any of the parcels, it is possible that such liabilities do currently exist and that the City is not aware of them. A "Phase I" environmental site assessment was prepared for the property in the District (not including the specific plan Phase 3 property) in October 1996 in connection with the establishment of the West Roseville Specific Plan, which did not indicate the presence of any hazardous substance or other environmental concerns within the District.

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

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

Bankruptcy and Foreclosure Delays

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

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

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

Parity Taxes and Special Assessments; Private Debt

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

Property in the District is currently subject to certain overlapping tax and assessment liens, as shown in the overlapping debt statement. Property in the District is also subject to the special tax of two additional community facilities district known as the Fiddyment Ranch Community Facilities District No. 2 (Public Services) and City of Roseville Community Facilities District No. 3 (Municipal Services). The property is not subject to any other special tax or assessment liens (other than the lien of the Special Tax). See "APPRAISAL OF PROPERTY WITHIN THE DISTRICT – Estimated Tax Burden on Single Family Home."

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

There can be no assurance that property owners within the District will not petition for the formation of other community facilities districts and improvement areas or for a special assessment district or districts and that parity special taxes or special assessments will not be levied by the County or some other public agency to finance additional public facilities. In addition to liens for special taxes or assessments to finance public improvements of benefit to land within the District, owners of property may obtain loans from banks or other private sources which loans may be secured by a lien on the parcels in the District. Such loans would increase amounts owed by the owner of such parcel with respect to development of its property in the District. However, the lien of such loans would be subordinate to the lien of the Special Taxes.

Tax Delinquencies

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

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

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

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

No Acceleration Provisions

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

Ballot Initiatives

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

Proposition 218

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

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

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

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

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

CONSTITUTIONAL LIMITATIONS ON TAXATION AND APPROPRIATIONS

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

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

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

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

CONTINUING DISCLOSURE

The City has covenanted for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the District by not later than the next January 15th after the end of the City's fiscal year (presently June 30) in each year (the "**City Annual Report**") commencing with its report for the 2005-06 fiscal year (due January 15, 2007) and to provide notices of the occurrence of certain enumerated events.

The Developer has also covenanted for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the property it owns, or its affiliates or subsidiaries, or entities it has an interest in or controls owns, in the District by not later than April 1 of each year (reflecting reported information as of December 31 of the prior year) beginning with the report due April 1, 2007 (the "**Developer Annual Report**") and to provide notices of the occurrence of certain enumerated events. Additionally, Roseville Fiddyment Land Venture, LLC has agreed to provide quarterly updated information on request. The obligation of Roseville Fiddyment Land Venture, LLC to provide such information is in effect only so long as Roseville Fiddyment Land Venture, LLC and its affiliates, or their successors, are collectively responsible for a certain percentage of the Special Taxes, as described in the Developer Annual Report.

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

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

UNDERWRITING

The 2006 Bonds were purchased through negotiation by Stone & Youngberg LLC and Piper Jaffray & Co. Inc. (together, the "**Underwriter**"). The Underwriter agreed to purchase the 2006 Bonds at a price of $42,029,158.55 (representing the principal of amount of the 2006 Bonds, less an aggregate original issue discount of $111,173.95, less an underwriter's discount of $509,667.50). The initial public offering prices set forth on the cover page hereof may be changed by the Underwriter. The Underwriter may offer and sell the 2006 Bonds to certain dealers and others at a price lower than the public offering prices set forth on the cover page hereof.

FINANCIAL ADVISOR

The City has retained Public Financial Management, Inc., of San Francisco, California, as financial advisor (the "**Financial Advisor**") in connection with the issuance of the 2006 Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. Public Financial Management, Inc., is an independent financial advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

LEGAL OPINION

The validity of the 2006 Bonds and certain other legal matters are subject to the approving opinion of Jones Hall, a Professional Law Corporation, Bond Counsel. A complete copy of the proposed form of Bond Counsel opinion is contained in Appendix E to this Official Statement, and the final opinion will be made available to registered owners of the 2006 Bonds at the time of delivery. The fees of Bond Counsel are contingent upon the sale and delivery of the 2006 Bonds.

TAX MATTERS

The Internal Revenue Code of 1986, as amended (the "**Code**") establishes certain requirements which must be met subsequent to the issuance of the 2006 Bonds for the interest on the 2006 Bonds to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause interest on the 2006 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2006 Bonds. These requirements include, but are not limited to, restrictions on the use of bond proceeds and provisions which prescribe yield and other limits within which the proceeds of the 2006 Bonds are to be invested and require that certain investment earnings must be rebated on a periodic basis to the United States of America. Failure to comply with such requirements could cause interest on the 2006 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2006 Bonds. Pursuant to the Fiscal Agent Agreement, the City has covenanted to comply with the requirements of the Code and to cause the payment to the United States Treasury of any and all amounts required to be rebated under the Code with respect to the outstanding 2006 Bonds.

In the opinion of Jones Hall, a Professional Law Corporation, San Francisco, California, Bond Counsel, subject to the qualifications set forth below, under existing law and assuming compliance by the City with the aforementioned covenants, interest on the 2006 Bonds is excluded from gross income for purposes of federal income taxation. Bond Counsel is further of the opinion that interest on the 2006 Bonds is not a specific preference item for purposes of the alternative minimum tax provisions of the Code. However, interest on the 2006 Bonds received by corporations will be included in certain earnings for purposes of federal alternative minimum taxable income of such corporations.

Although Bond Counsel has rendered an opinion that the interest on the 2006 Bonds is excluded from gross income for purposes of federal income taxation, the accrual or receipt of interest on the 2006 Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend on the recipient's particular tax status or other items of income or deduction and Bond Counsel expresses no opinion regarding any such consequences. Additionally, Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring after the date of delivery of the 2006 Bonds may affect the tax status of the 2006 Bonds.

If the initial offering price to the public (excluding bond houses and brokers) at which a 2006 Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which each 2006 Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes. De minimis original issue discount and original issue premium is disregarded. Owners of 2006 Bonds with original issue discount or original issue premium, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to federal income tax and State of California personal income tax consequences of owning such 2006 Bonds.

Bond Counsel is further of the opinion that under existing law, interest on the 2006 Bonds is exempt from personal income taxation imposed by the State of California.

RATINGS

The City has not applied to a rating agency for the assignment of a rating to the 2006 Bonds and does not contemplate applying for a rating.

NO LITIGATION

At the time of delivery of and payment for the 2006 Bonds, the City Attorney will deliver his opinion that to the best of its knowledge there is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any court or regulatory agency pending against the City affecting its existence or the titles of its officers to office or seeking to restrain or to enjoin the issuance, sale or delivery of the 2006 Bonds, the application of the proceeds thereof in accordance with the Fiscal Agent Agreement, or the collection or application of the Special Tax to pay the principal of and interest on the 2006 Bonds, or in any way contesting or affecting the validity or enforceability of the 2006 Bonds, the Fiscal Agent Agreement or any action of the City contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto, or contesting the powers of the City or its authority with respect to the 2006 Bonds or any action of the City contemplated by any of said documents.

EXECUTION

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

CITY OF ROSEVILLE

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

APPENDIX A

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

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EXHIBIT A

CITY OF ROSEVILLE
FIDDYMENT RANCH COMMUNITY FACILITIES DISTRICT NO. 1
(PUBLIC FACILITIES)

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

Special Taxes applicable to each Assessor's Parcel in Fiddyment Ranch Community Facilities District No. 1 (Public Facilities) [herein "CFD No. 1" or "the CFD"] shall be levied and collected according to the tax liability determined by the City Council of the City of Roseville, through the application of the appropriate amount or rate for Taxable Property, as described below. All of the property in CFD No. 1, unless exempted by law or by the provisions of Section G below, shall be taxed for the purposes, to the extent, and in the manner herein provided, including property subsequently annexed to CFD No. 1 unless a separate Rate and Method of Apportionment is adopted for the annexation area.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

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

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

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

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

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

"Affordable Unit" means a Unit built on a Parcel of Single Family Detached Property or Single Family Attached Property for which an Affordable Purchase Development Agreement has been recorded on title of the property designating the Unit as affordable and resulting in a deed of trust on the Parcel in favor of the City. The City's Affordable Housing Director shall determine which Units are designated as Affordable Units and maintain an Affordable Unit Listing which shall contain all designated buildable parcels by tract and lot number, and in the case of Large Lots parcels remaining prior to May 1 of the preceding Fiscal Year, the number of designated Affordable Units for each such Large Lot parcel; all entries shall indicate the effective date of designation. The Affordable Unit Listing shall also be updated to reflect those Units no longer qualifying as Affordable Units. The Affordable Unit Listing, which shall contain all qualifying Affordable Units as of April 30, shall be made available to Administrator by July 1 of each year for purposes of determining the Maximum Special Tax for Parcels pursuant to Sections C and D below.

"Affordable Unit Adjustment" means a reduction in the Assigned Maximum Special Tax for a Large Lot due to the assignment of Affordable Units to the Large Lot. No Affordable Unit Adjustment shall occur on Multi-Family Property, as the Assigned Special Tax for such property has already been adjusted to account for affordable units.

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

"Assessor's Parcel" or **"Parcel"** means a lot or parcel shown on an Assessor's Parcel Map with an assigned Assessor's Parcel number.

"Assessor's Parcel Map" means an official map of the County Assessor designating parcels by Assessor's Parcel number.

"Assigned Maximum Special Tax" means the Maximum Special Tax assigned to each Large Lot at CFD Formation based on the Expected Land Uses, as shown in Attachment 2 of this RMA.

"Base Year" means Fiscal Year 2004-05.

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

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

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

"CFD Maximum Special Tax Revenue" means the cumulative Maximum Special Tax revenue that can be collected from all property within CFD No. 1 after adjusting for the Expected Affordable Units. The CFD Maximum Special Tax Revenue is shown in Attachment 2 of this RMA and may be reduced due to prepayments in future Fiscal Years.

"City" means the City of Roseville.

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

"County" means the County of Placer.

"Developed Property" means, in any Fiscal Year, the following:

- for Single Family Detached Property, all Parcels for which a Final Map was recorded prior to May 1 of the preceding Fiscal Year

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

- for Multi-Family Property, all Parcels for which a use permit or building permit for new construction of a residential structure was issued prior to May 1 of the preceding Fiscal Year.

- for Non-Residential Property, all Parcels for which a building permit for new construction of a building was issued prior to May 1 of the preceding Fiscal Year.

"Development Plan" means a condominium plan, apartment plan, site plan or other development plan that identifies such information as the type of structure, acreage, square footage, and/or number of Units that are approved to be developed on Single Family Attached Property, Multi-Family Property and Non-Residential Property. This information may be obtained from the City's Development Activity Updates, which are published periodically by the City's Planning Department.

"Expected Affordable Units" means a total of 83 medium density residential Units within CFD No. 1 that are expected to be Affordable Units. Upon recordation of Final Maps within CFD No. 1, the Affordable Housing Director will determine which Large Lots will include Affordable Units, and, upon such determination, the Administrator shall reduce the Assigned Maximum Special Tax for the Large Lot pursuant to the steps set forth in Section C.3a, C.3b or C.3d (as applicable) below. If, in any Fiscal Year, the Affordable Housing Director identifies a total number of Affordable Units within CFD No. 1 that exceeds 83 Units, no Affordable Unit adjustment will be applied for the Affordable Units identified after the 83rd Affordable Unit has been designated.

"Expected Land Uses" means the total number of single family and multi-family units, and acres of Non-Residential Property expected within each Large Lot at the time of CFD Formation. The Expected Land Uses are identified in Attachment 2 of this RMA.

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

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

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

"Land Use Class" means, individually, Developed Property, Small Lot Tentative Map Property, Large-Lot Subdivision Map Property, and Undeveloped Property.

"Large Lot" means a specific geographic area within CFD No. 1 that (i) is created upon recordation of a Large-Lot Subdivision Map within CFD No. 1, (ii) is expected to have Buildable Lots of a similar size, and (iii) has an Assigned Maximum Special Tax that will ultimately be allocated to the Buildable Lots within the Large Lot as Final Maps are recorded. The Large Lots expected at CFD Formation are shown in Attachment 1 of this RMA, and the Assigned Maximum Special Tax for each Large Lot within CFD No. 1 is shown in Attachment 2.

"Large-Lot Subdivision Map" means a subdivision map recorded at the County Recorder's Office that subdivides some or all of the property in CFD No. 1 into Large Lots.

"Large-Lot Subdivision Map Property" means, in any Fiscal Year, all Parcels which are included within a Large-Lot Subdivision Map that was approved prior to May 1 of the prior Fiscal Year, and which have not yet become Small Lot Tentative Map Property.

"Market-Rate Unit" means a unit that is not an Affordable Unit.

"**Maximum Special Tax"** means the greatest amount of Special Tax that can be levied on an Assessor's Parcel in any Fiscal Year determined in accordance with Sections C and D below.

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

“Non-Residential Property” means, in any Fiscal Year, all Parcels of Developed Property within CFD No. 1 which are not Single Family Detached Property, Single Family Attached Property, Multi-Family Property, or Taxable Public Property.

“Original Parcel” means an Assessor’s Parcel in CFD No. 1 at the time of CFD Formation, as identified in Attachment 1. A Successor Parcel that is being further subdivided shall also be considered an Original Parcel for purposes of determining the Maximum Special Taxes pursuant to Section C.

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

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

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

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

“Small Lot Tentative Map” means a map that is made for the purpose of showing the design of a proposed subdivision, including the individual Buildable Lots that are expected within the subdivision, as well as the conditions pertaining thereto. A Small Lot Tentative Map is not based on a detailed survey of the property within the map and is not recorded at the County Recorder’s Office to create legal lots.

“Small Lot Tentative Map Property” means, in any Fiscal Year, all Parcels which are included within a Small Lot Tentative Map that was approved prior to May 1 of the prior Fiscal Year, and which have not yet become Developed Property.

“Special Tax” means a special tax levied in any Fiscal Year to pay the Special Tax Requirement, as defined below.

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

"Successor Parcel" means an Assessor's Parcel of Taxable Property created by the subdivision or reconfiguration of an Original Parcel.

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

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

"Undeveloped Property" means, in any Fiscal Year, all Parcels of Taxable Property within CFD No. 1 that are not yet Developed Property, Small Lot Tentative Map Property, or Large-Lot Subdivison Map Property.

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

B. DATA FOR ADMINISTRATION OF THE SPECIAL TAX

On or about July 1 of each Fiscal Year, the Administrator shall identify the current Assessor's Parcel numbers for all Parcels of Taxable Property within CFD No. 1. The Administrator shall also determine: (i) whether each Assessor's Parcel of Taxable Property is Developed Property, Small Lot Tentative Map Property, Large-Lot Subdivision Map Property, or Undeveloped Property, (ii) for Parcels of Single Family Attached Property, the number of Units on each Parcel, (iii) for Non-Residential Property, the Acreage of each Parcel, and (iv) the Special Tax Requirement. For Single Family Attached Property, the number of Units shall be determined by referencing the Development Plan for the property.

In any Fiscal Year, if it is determined that: (i) a parcel map for property in CFD No. 1 was recorded after January 1 of the prior Fiscal Year (or any other date after which the Assessor will not incorporate the newly-created parcels into the then current tax roll), (ii) because of the date the parcel map was recorded, the Assessor does not yet recognize the new parcels created by the parcel map, and (iii) one or more of the newly-created parcels is in a different Land Use Class than other parcels created by the subdivision, the Administrator shall calculate the Special Tax for the property affected by recordation of the parcel map by determining the Special Tax that applies separately to the property within each Land Use Class, then applying the sum of the individual Special Taxes to the Original Parcel or Successor Parcel that was subdivided by recordation of the parcel map.

If, in any Fiscal Year, it is determined that, based on building permits that have been issued, for-sale residential Units will be built within a structure constructed on a Parcel of Non-Residential Property, the Administrator shall determine whether (i) Units that have been or will be built on the Parcel will be offered for sale to individual home buyers, and (ii) a separate Assessor's Parcel number will be assigned to the airspace parcel associated with each Unit. Once separate Parcel numbers have been assigned to the residential airspace Parcels, the Administrator shall assign a Maximum Special Tax to the airspace Parcel for each residential unit. The Maximum Special Tax for the Base Year for such Units is $500, which amount shall be increased each Fiscal Year thereafter by the Annual Tax Escalation Factor. The Administrator shall also tax commercial land uses on the Parcel using the Maximum Special Tax for the commercial uses within that Large Lot as shown in Attachment 2. The acreage to be used to calculate the Maximum Special Tax on the commercial uses shall be the full land area of the underlying Assessor's Parcel on which the residential and commercial land uses are located.

Upon recordation of each Final Map creating Single Family Detached Property and/or Single Family Attached Property, the Affordable Housing Director is to determine the number of Affordable Units included within the Final Map. As set forth in Sections C.3a, C.3b and C.3d below, once the Affordable Housing Director has designated the number of Affordable Units on each Parcel, the Administrator shall reduce the Maximum Special Tax for each Affordable Unit to fifty percent (50%) of the Maximum Special Tax that applies to the market-rate Units created by recordation of that Final Map. This reduction shall not be applied if the Administrator determines that the Expected Affordable Units have already been designated on other Parcels, and the designation of additional Affordable Units would reduce the CFD Maximum Special Tax Revenues. After May 1 of each Fiscal Year, the Administrator shall obtain the Affordable Unit Listing from the Affordable Housing Director to confirm which Parcels and Large Lots qualify for an Affordable Unit Adjustment in the following Fiscal Year.

C. CALCULATING THE MAXIMUM SPECIAL TAX

The Administrator shall apply the applicable subsection below to determine the Maximum Special Tax for each Parcel of Taxable Property within CFD No. 1:

1. Prior to Recordation of a Large-Lot Subdivision Map

Prior to recordation of a Large-Lot Subdivision Map, the Maximum Special Tax assigned to Original Parcels within the CFD shall be as follows:

Fiscal Year 2004-05 Assessor's Parcel Number	Fiscal Year 2004-05 Maximum Special Tax *
017-115-001	$582,400
017-115-061	$388,500
017-115-062	$277,250
017-115-063	$277,250
017-100-009	$1,604,200
017-100-010	$373,100
017-100-034	$759,200
017-100-035	$70,000
017-100-036	$165,000
017-100-040	$114,400
*** Beginning July 1, 2005 and each July 1 thereafter, the Maximum Special Taxes shown above shall be adjusted by applying the Annual Tax Escalation Factor.***	

If an Assessor's Parcel number shown above is changed, the Maximum Special Tax shall continue to apply to the Parcel to which it was assigned. If Parcels are reconfigured due to an action other than recordation of a Large-Lot Subdivision Map, the Maximum Special Tax shall be spread on a per-acre basis to all new Assessor's Parcels created by the reconfiguration.

2. After Recordation of a Large-Lot Subdivision Map, Prior to Recordation of a Final Map

The Maximum Special Tax assigned to each Large Lot expected at CFD Formation is identified in Attachment 2 of this RMA. If, upon recordation of the Large-Lot Subdivision Map for property within the CFD, it is determined that the actual boundaries of the Large Lots are different than that shown in Attachment 1, Attachment 1 shall be updated and the correct boundaries of each Large Lot shall be reflected in the attachment. If, at the same time changes are being made to Attachment 1, it is determined that the number of Buildable Lots, Acreage of Multi-Family Property, or Acreage of Non-Residential Property within a Large Lot has changed, the Assigned Maximum Special Tax for each Large Lot in Attachment 2 may, in the City's sole discretion, also be changed as long as the CFD Maximum Special Tax Revenues are not reduced. If the City determines that such an adjustment is needed, the adjustment shall be effective immediately after recordation of the Large-Lot Subdivision Map, after which time the Assigned Maximum Special Tax for each Large Lot shall be fixed for all future Fiscal Years, except as otherwise provided in Section D below. After both attachments have been updated, the Administrator shall record, or cause to be recorded, an amended Notice of Special Tax Lien that includes the revised attachments. If such an adjustment and recording takes place, the property owner that requested the adjustment shall bear the costs to effect the adjustment and prepare the required amendments to the Notice of Special Tax Lien and Attachments 1 and 2. Prior to approval of the adjustment, the City may require a deposit from the requesting property owner for the estimated cost to perform such adjustment.

Unless an adjustment is made pursuant to the prior paragraph, the Maximum Special Tax for property within a Large Lot shall be the Assigned Maximum Special Tax identified in Attachment 2 of this RMA. If there are multiple Assessor's Parcels within a Large Lot prior to recordation of a Final Map within the Large Lot, the Assigned Maximum Special Tax shall be allocated on a per-Acre basis to each Parcel of Taxable Property to determine the Maximum Special Tax for each Parcel. Upon recordation of the Large-Lot Subdivision Map, the actual boundary of each Large Lot may change slightly from that shown in Attachment 1; such change shall have no impact on the Assigned Maximum Special Tax for each Large Lot unless an adjustment is also made to the Assigned Maximum Special Tax as permitted in the paragraph above.

3. After Recordation of a Final Map

a. <u>Final Map Creating Buildable Lots of Single Family Detached Property Throughout Entire Large Lot</u>

If the Parcels created by a recorded Final Map within a Large Lot are all Buildable Lots of Single Family Detached Property, the Administrator shall apply the following steps to allocate the Assigned Maximum Special Tax for the Large Lot to each of the Buildable Lots created by the subdivision:

Step 1: Identify the Assigned Maximum Special Tax for the Large Lot for the then-current Fiscal Year.

Step 2: Divide the Assigned Maximum Special Tax from Step 1 by the number of Buildable Lots created by the Final Map to determine the Maximum Special Tax for each Buildable Lot.

Step 3: Determine if Affordable Units have been designated within the Large Lot by the Affordable Housing Director. If ***yes***, each Parcel on which an Affordable Unit has been designated by the Affordable Housing Director shall be assigned one-half (1/2) of the Maximum Special Tax determined in Step 2, and all other Buildable Lots will be assigned the amount from Step 2 as the Maximum Special Tax for the Fiscal Year. If ***no***, all Buildable Lots in the Final Map shall be assigned the Maximum Special Tax determined in Step 2.

b. <u>Final Map Creating Buildable Lots of Single Family Attached Property Throughout Entire Large Lot</u>

If the Parcels created by a recorded Final Map within a Large Lot are all Buildable Lots of Single Family Attached Property, the Administrator shall apply the following steps to allocate the Assigned Maximum Special Tax for the Large Lot to each of the Units that are expected to be built based on reference to the Development Plan for the Single Family Attached Property:

Step 1: Identify the Assigned Maximum Special Tax for the Large Lot for the then-current Fiscal Year.

Step 2: Divide the Assigned Maximum Special Tax from Step 1 by the number of Units expected to be built on the property within the Final Map to determine the Maximum Special Tax for each Unit.

Step 3: Determine if any of the Units have been designated as Affordable Units by the Affordable Housing Director. If ***yes***, each Parcel on which an Affordable Unit has been designated shall be assigned one-half (1/2) of the Maximum Special Tax determined in Step 2, and all other Units will be assigned the amount from Step 2 as the Maximum Special Tax for the Fiscal Year. If ***no***, all Units created within the Final Map shall be assigned the Maximum Special Tax determined in Step 2.

c. Final Map Creating No Buildable Lots of Single Family Detached Property or Single Family Attached Property

If none of the Successor Parcels created by recordation of a Final Map are Buildable Lots of Single Family Detached Property or Single Family Attached Property, the Administrator shall apply the following steps to allocate the Assigned Maximum Special Tax for the Large Lot to each of the Successor Parcels:

Step 1: Identify the Assigned Maximum Special Tax for the Large Lot.

Step 2: Determine the total Acreage of Taxable Property created by subdivision of the Large Lot.

Step 3: Divide the Assigned Maximum Special Tax from Step 1 by the Acreage from Step 2 to calculate Maximum Special Tax per acre.

Step 4: Multiply the per-acre Maximum Special Tax from Step 3 by the Acreage in each Successor Parcel to calculate the Maximum Special Tax for each Successor Parcel.

d. Final Map Creating Buildable Lots in a Portion of the Large Lot

If a Final Map records creating Buildable Lots within only a portion of a Large Lot, the Administrator shall apply the following steps to allocate the Assigned Maximum Special Tax for the Large Lot to each of the Successor Parcels:

Step 1: Identify the Assigned Maximum Special Tax for the Large Lot.

Step 2: Determine the number of Buildable Lots created within the Final Map area.

Step 3: Multiply the Buildable Lots from Step 2 by the "Base Tax Rate per Unit" shown in Attachment 2 for the Large Lot that has been subdivided by the Final Map to determine the Maximum Special Tax associated with the Buildable Lots created by the Final Map. The Base Tax Rate per Unit shall be used as the Maximum Special Tax for all Buildable Lots included in the Final Map, except Affordable Units (as designated by the Affordable Housing Director) which shall be set at one-half of the rate of Market Units within the Final Map.

Step 4: Subtract the Maximum Special Tax associated with the Buildable Lots as determined in Step 3 from the Assigned Maximum Special Tax for the Large Lot that was identified in Step 1.

Step 5: Subtract the Acreage of Taxable Property included within the Final Map from the total Acreage of Taxable Property in all Successor Parcels within the Large Lot that resulted after recordation of the Final Map to determine the Acreage of Taxable Property that is not included within the Final Map.

Step 6: Divide the remainder determined in Step 4 by the remainder determined in Step 5 to calculate the per-acre Maximum Special Tax that will apply to Taxable Property not included within the Final Map.

Step 7: Multiply the per-acre Maximum Special Tax from Step 6 by the Acreage in each Successor Parcel not included within the Final Map to calculate the Maximum Special Tax for each such Successor Parcel.

If, after subdivision of a Large Lot, a Successor Parcel is further subdivided, the Successor Parcel shall be treated as an Original Parcel for purposes of allocating Maximum Special Taxes pursuant to Section C.3c or C.3d, as appropriate.

After each reallocation of the Maximum Special Tax upon subdivision or reconfiguration of a Large Lot, the sum of the Maximum Special Taxes assigned to Successor Parcels shall never be less than the Assigned Maximum Special Tax for that Large Lot as shown in Attachment 2. Once a Maximum Special Tax has been assigned to a Parcel within a Final Map, the Maximum Special Tax shall not be reduced in future Fiscal Years regardless of changes in land use, Parcel size, ownership or Special Taxes assigned elsewhere in the Large Lot.

D. CHANGES TO THE MAXIMUM SPECIAL TAX

1. Annual Escalation of Special Tax

Beginning in Fiscal Year 2005-06, and each Fiscal Year thereafter, the Assigned Maximum Special Tax for each Large Lot shown in Attachment 2, and the Maximum Special Tax assigned to each Parcel of Taxable Property within the CFD, shall be adjusted by the Annual Special Tax Escalation Factor.

2. Affordable Units that Become Market-Rate Units

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

3. Transfer of the Assigned Maximum Special Tax from One Large Lot to Another

The Assigned Maximum Special Taxes in Attachment 2 were determined based on the Expected Land Uses for each Large Lot. If the number of planned residential units or non-residential acreage is transferred from one Large Lot to another prior to recordation of a Final Map within any portion of the Large Lot, the City may, in its sole discretion, allow for a transfer of the Assigned Special Tax from one Large Lot to the other. Such a transfer shall only be allowed if (i) all adjustments are agreed to in writing by the affected property owners and the Finance Director, and (ii) there is no reduction in the CFD Maximum Special Tax Revenues as a result of the transfer. Should a transfer result in an amendment to Attachment Nos. 1 or 2 of the Notice of Special Tax Lien, the requesting property owner shall bear the costs to effect the transfer in the District records and prepare the required amendments to the Notice of Special Tax Lien and Attachment Nos. 1 and 2. Prior to the transfer, the City may require a deposit from the requesting property owner for such costs. If such a transfer is requested, the Administrator shall apply the following steps to redistribute the Maximum Special Tax among the Parcels:

Step 1: Determine the Maximum Special Tax associated with the land uses that will be transferred by multiplying the number of residential units or non-residential acreage by the "Base Tax Rate" identified for the units or acreage in Attachment 2 (escalated to the then-current Fiscal Year).

Step 2: Subtract the amount determined in Step 1 from the Assigned Maximum Special Tax for the Large Lot from which the units or acreage will be transferred to determine the new Assigned Maximum Special Tax for the Large Lot.

Step 3: Add the amount determined in Step 1 to the Assigned Maximum Special Tax for the Large Lot to which the units or acreage is being transferred to determine the new Assigned Maximum Special Tax for the Large Lot.

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

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

E. METHOD OF LEVY OF THE SPECIAL TAX

Commencing with Fiscal Year 2005-06 and for each following Fiscal Year, the Administrator shall determine the Special Tax Requirement for that Fiscal Year and levy the Special Tax on all Parcels of Taxable Property as follows:

Step 1: The Special Tax shall be levied proportionately on each Parcel of Developed Property within the CFD up to 100% of the Maximum Special Tax for each Parcel for such Fiscal Year;

Step 2: If additional revenue is needed after Step 1, the Special Tax shall be levied proportionately on each Assessor's Parcel of Small Lot Tentative Map Property within the CFD, up to 100% of the Maximum Special Tax for each Parcel for such Fiscal Year;

Step 3: If additional revenue is needed after Step 2, the Special Tax shall be levied proportionately on each Assessor's Parcel of Large-Lot Subdivision Map Property within the CFD, up to 100% of the Maximum Special Tax for each Parcel for such Fiscal Year;

Step 4: If additional revenue is needed after Step 3, the Special Tax shall be levied proportionately on each Assessor's Parcel of Undeveloped Property partially or wholly included within Phase 1 of Fiddyment Ranch, as identified in Attachment 1 hereto, up to 100% of the Maximum Special Tax for each Parcel for such Fiscal Year;

Step 5: If additional revenue is needed after Step 4, the Special Tax shall be levied proportionately on each Assessor's Parcel of Undeveloped Property partially or wholly included within Phase 2 of Fiddyment Ranch, as identified in Attachment 1 hereto, up to 100% of the Maximum Special Tax for each Parcel for such Fiscal Year;

Step 6: If additional revenue is needed after Step 5, the Special Tax shall be levied proportionately on each Assessor's Parcel of Undeveloped Property partially or wholly included within Phase 3 of Fiddyment Ranch, as identified in Attachment 1 hereto, up to 100% of the Maximum Special Tax for each Parcel for such Fiscal Year;

Step 7: If additional revenue is needed after Step 6, the Special Tax shall be levied proportionately on each Assessor's Parcel of Taxable Public Property, up to 100% of the Maximum Special Tax assigned to each Parcel.

F. COLLECTION OF SPECIAL TAX

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

The Special Tax shall be levied and collected until principal and interest on Bonds have been repaid, costs of constructing or acquiring authorized facilities from Special Tax proceeds have been paid, and all administrative expenses have been reimbursed. However, in no event shall a Special Tax be levied after Fiscal Year 2050-51. Under no circumstances may the Special Tax on one Parcel in the CFD be increased by more than ten percent (10%) as a consequence of delinquency or default in payment of the Special Tax levied on another Parcel or Parcels in the CFD.

G. EXEMPTIONS

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

H. PREPAYMENT OF SPECIAL TAX

The following definitions apply to this Section H:

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

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

"Public Facilities Requirements" means either $56,000,000 in 2004 dollars, which shall increase on January 1, 2005, and on each January 1 thereafter by the percentage increase, if any, in the construction cost index for the San Francisco region for the prior twelve (12) month period as published in the Engineering News Record or other comparable source if the Engineering News Record is discontinued or otherwise not available, or such other number as shall be determined by the City to be an appropriate estimate of the net construction proceeds that will be generated from all Bonds that have been or are expected to be issued on behalf of CFD No. 1. The Public Facilities Requirements shown above may be adjusted or a separate Public Facilities Requirements identified each time property annexes into CFD No. 1; at no time shall the added Public Facilities Requirement for that annexation area exceed the amount of public improvement costs that are expected to be supportable by the Maximum Special Tax revenues generated within that annexation area.

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

1. Full Prepayment

The Special Tax obligation applicable to an Assessor's Parcel in the CFD may be prepaid and the obligation of the Assessor's Parcel to pay the Special Tax permanently satisfied as described herein, provided that a prepayment may be made only if there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of prepayment. An owner of an Assessor's Parcel intending to prepay the Special Tax obligation shall provide the City with written notice of intent to prepay. Within 30 days of receipt of such written notice, the City or its designee shall notify such owner of the prepayment amount for such Assessor's Parcel. Prepayment must be made not less than 75 days prior to any redemption date for Bonds to be redeemed with the proceeds of such prepaid Special Taxes. The Prepayment Amount shall be calculated as follows: (capitalized terms as defined below):

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

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

Step 1. Determine the Maximum Special Tax that could be collected from the Assessor's Parcel prepaying the Special Tax in the Fiscal Year in which prepayment would be received by the City.

Step 2. Divide the Maximum Special Tax from Step 1 by the CFD Maximum Special Tax Revenues for the Fiscal Year in which prepayment would be received by the City.

Step 3. Multiply the quotient computed pursuant to Step 2 by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (*the "**Bond Redemption Amount**"*).

Step 4. Compute the current Remaining Facilities Costs (if any).

Step 5. Multiply the quotient computed pursuant to Step 2 by the amount determined pursuant to Step 4 to compute the amount of Remaining Facilities Costs to be prepaid (*the "**Remaining Facilities Amount**"*).

Step 6. Multiply the Bond Redemption Amount computed pursuant to Step 3 by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (*the "**Redemption Premium**"*).

Step 7. Compute the amount needed to pay interest on the Bond Redemption Amount starting with the first Bond interest payment date after which the prepayment has been received until the earliest redemption date for the Outstanding Bonds, which, depending on the Bond offering document, may be as early as the next interest payment date.

Step 8: Compute the amount of interest the City reasonably expects to derive from reinvestment of the Bond Redemption Amount plus the Redemption Premium from the first Bond interest payment date after which the prepayment has been received until the redemption date for the Outstanding Bonds.

Step 9: Take the amount computed pursuant to Step 7 and subtract the amount computed pursuant to Step 8 (the ***"Defeasance Requirement"***).

Step 10. Determine the costs of computing the prepayment amount, the costs of redeeming Bonds, and the costs of recording any notices to evidence the prepayment and the redemption (the ***"Administrative Fees and Expenses"***).

Step 11. If and to the extent so provided in the indenture pursuant to which the Outstanding Bonds to be redeemed were issued, a reserve fund credit shall be calculated as a reduction in the applicable reserve fund for the Outstanding Bonds to be redeemed pursuant to the prepayment (the "***Reserve Fund Credit"***).

Step 12. The Special Tax prepayment is equal to the sum of the amounts computed pursuant to Steps 3, 5, 6, 9, and 10, less the amount computed pursuant to Step 11 (the ***"Prepayment Amount"***).

2. Partial Prepayment

A partial prepayment may be made in an amount equal to any percentage of full prepayment desired by the party making a partial prepayment, except that the full amount of administrative fees and expenses determined in Step 10 shall be included in the partial prepayment. The Maximum Special Tax that can be levied on a Parcel after a partial prepayment is made is equal to the Maximum Special Tax that could have been levied prior to the prepayment, reduced by the percentage of the full prepayment that the partial prepayment represents, all as determined by or at the direction of the Administrator.

I. INTERPRETATION OF SPECIAL TAX FORMULA

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

ATTACHMENT 1

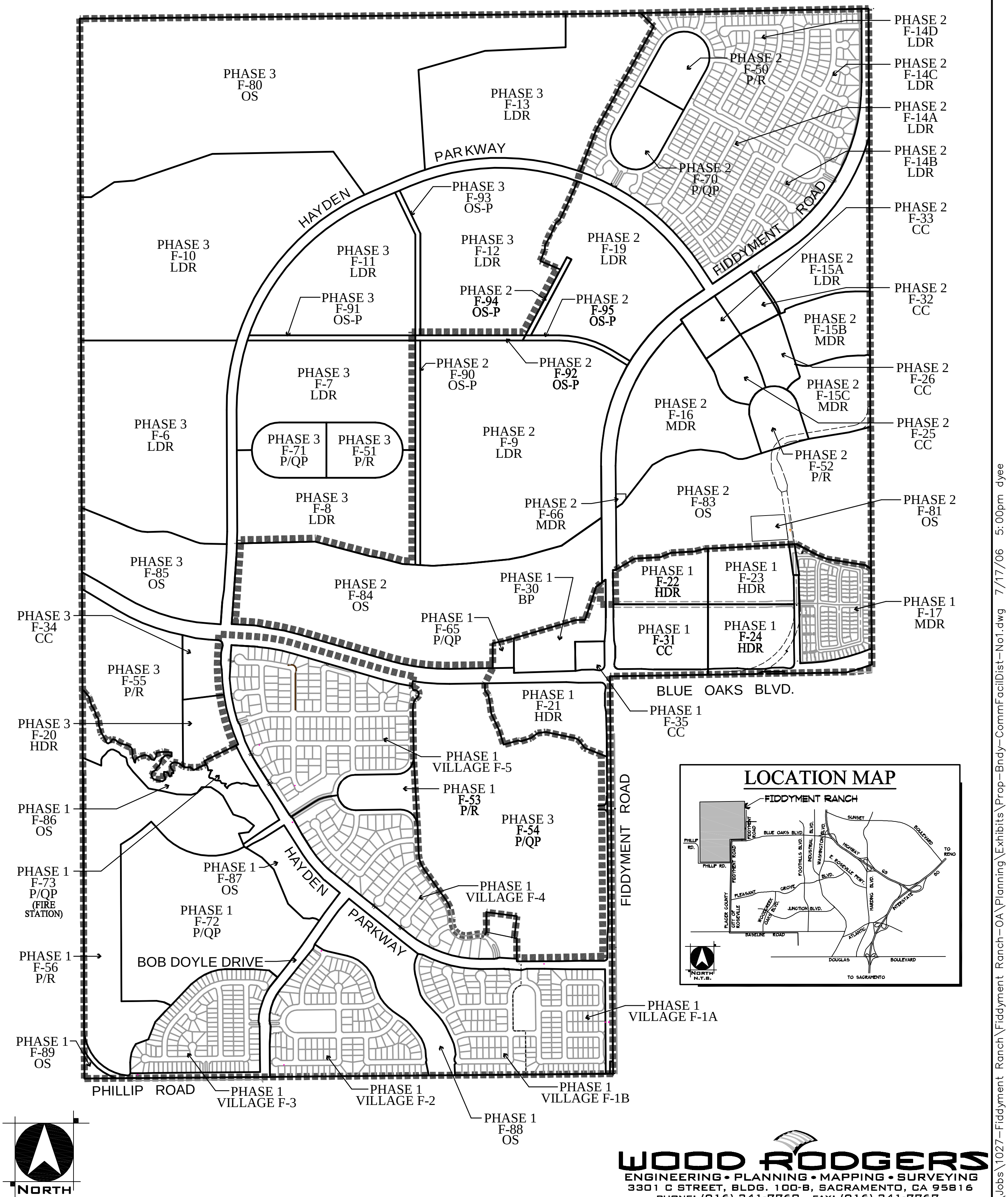
CITY OF ROSEVILLE
FIDDYMENT RANCH COMMUNITY FACILITIES DISTRICT NO. 1
(PUBLIC FACILITIES)

IDENTIFICATION OF LARGE LOTS

ATTACHMENT 1

CITY OF ROSEVILLE
FIDDYMENT RANCH COMMUNITY FACILITIES DISTRICT NO. 1

JULY 2006



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ATTACHMENT 2

City of Roseville
Fiddyment Ranch Community Facilities District No. 1
(Public Facilities)

Expected Land Uses and Assigned Maximum Special Taxes

Large Lot [1]	Land Use [2]	Expected Acreage	Expected # of Residential Units	Base Tax Rate per Unit (Residential) and per Acre (Non- Residential) [3]	Assigned Maximum Special Tax FY 2006-07 [3]
		PHASE I			
F-1A	LDR	20.6	93 units	$1,352.52	$125,784
F-1B	LDR	20.6	83 units	$1,352.52	$112,259
F-2	LDR	33.8	127 units	$1,352.52	$171,770
F-3	LDR	24.3	135 units	$1,352.52	$182,590
F-4	LDR	32.2	77 units	$1,352.52	$104,144
F-5A	LDR	23.1	75 units	$1,352.52	$101,439
F-5B	LDR	25.3	82 units	$1,352.52	$110,907
F-17	MDR	16.0	131 units	$1,040.40	$136,292
F-21	HDR	15.2	182 units	$520.20	$104,300
	HDR (affordable)		37 units	$260.10	(combined)
F-22	HDR	10.4	82 units	$520.20	$54,101
	HDR (affordable)		44 units	$260.10	(combined)
F-23	HDR	11.2	64 units	$520.20	$58,262
	HDR (affordable)		96 units	$260.10	(combined)
F-24	HDR	12.6	114 units	$520.20	$81,671
	HDR (affordable)		86 units	$260.10	(combined)
F-30	BP	8.7	N/A	$5,202.00	$45,257
F-31	CC	13.9	N/A	$5,202.00	$72,308
F-35	CC	1.9	N/A	$5,202.00	$9,884
Total Phase I		*269.8*	*1,508*		

Large Lot [1]	Land Use [2]	Expected Acreage	Expected # of Residential Units	Base Tax Rate per Unit (Residential) and per Acre (Non- Residential) [3]	Assigned Maximum Special Tax FY 2006-07 [3]
PHASE II					
F-9A	LDR	41.0	95 units	$1,366.01	$129,771
F-9B	LDR	31.3	111 units	$1,366.01	$151,627
F-9C	LDR	26.7	104 units	$1,366.01	$142,065
F-14A	LDR	22.1	97 units	$1,366.01	$132,503
F-14B	LDR	21.4	107 units	$1,366.01	$146,163
F-14C	LDR	28.5	111 units	$1,366.01	$151,627
F-14D	LDR	31.3	107 units	$1,366.01	$146,163
F-15A	LDR	17.5	80 units	$1,366.01	$109,281
F-15B	MDR	11.9	102 units	$1,050.77	$107,179
F-15C	MDR	12.6	98 units	$1,050.77	$102,975
F-16A	MDR	12.6	96 units	$1,050.77	$100,874
F-16B	MDR	15.2	64 units	$1,050.77	$91,417
	MDR (affordable)		46 units	$525.39	(combined)
F-19	LDR	25.2	108 units	$1,366.01	$147,529
F-25	HDR	5.8	70 units	$525.39	$42,031
	HDR (affordable)		20 units	$262.70	(combined)
F-26	HDR	5.9	70 units	$525.39	$42,031
	HDR (affordable)		20 units	$262.70	(combined)
F-32	CC	5.0	N/A	$5,253.87	$26,269
F-33	CC	4.9	N/A	$5,253.87	$25,744
Total Phase II		*318.9*	*1,506*		
PHASE III					
F-6A	LDR	34.4	112 units	$1,366.01	$152,993
F-6B	LDR	28.6	75 units	$1,366.01	$102,451
F-7	LDR	35.3	111 units	$1,366.01	$151,627
F-8	LDR	31.7	91 units	$1,366.01	$124,307
F-10A	LDR	61.1	143 units	$1,366.01	$195,339
F-10B	LDR	25.5	84 units	$1,366.01	$114,745
F-11	LDR	40.8	99 units	$1,366.01	$135,235
F-12	LDR	54.1	167 units	$1,366.01	$228,124
F-13A	LDR	24.5	76 units	$1,366.01	$103,817
F-13B	LDR	29.8	78 units	$1,366.01	$106,549
F-20	HDR	6.9	52 units	$525.39	$45,184
	HDR (affordable)		68 units	$262.70	(combined)
F-34	CC	5.3	N/A	$5,253.87	$27,846
Total Phase III		*378.0*	*1,156*		
Total Acres/Units		**966.7 acres**	**4,170 units**		
CFD Maximum Special Tax Revenues [4] (Fiscal Year 2006-07)					**$4,754,435**

1. See Attachment 1 for the geographic area associated with each Large Lot.

2. LDR = Low Density Residential
   MDR = Medium Density Residential
   HDR = High Density Residential
   CC = Community Commercial
   BP =Business Park

3. Beginning July 1, 2007 and each July 1 thereafter, the Maximum Special Taxes shown above shall be adjusted by applying the Annual Tax Escalation Factor.

4. The 83 Expected Affordable Units, for which the site was not known when the RMA was originally drafted, have been placed in Large Lot Parcels F-16B and F-21.

Source of Data: Signature Properties, June, 2006

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APPENDIX B

THE APPRAISAL

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Complete Appraisal
Self-Contained Report

Properties within Fiddyment Ranch
Community Facilities District No. 1
Roseville, California 95747

Date of Report: July 6, 2006

Prepared For:

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

Prepared By:

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

Seevers
Jordan
Ziegenmeyer
Real Estate Appraisal & Consultation

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

Seevers
Jordan
Ziegenmeyer

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Real Estate Appraisal & Consultation

July 6, 2006

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

RE: Properties within Fiddyment Ranch CFD No. 1
Roseville, California 95747

Dear Mr. Branson:

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

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

The Fiddyment Ranch CFD No. 1 bond issuance is scheduled to fund certain portions of the public improvements required for the development of the following components: 3,165 single-family residential lots (including 83 affordable housing lots), a multifamily residential component encompassing 1,005 developable units (including 334 affordable housing units), five commercial sites totaling 31.0 acres, and a business professional (office) site containing 8.7 acres of land area. The project will be developed in three phases, and the financing provided through the bond issuance will be used for improvements to Fiddyment Road, Blue Oaks Boulevard, Hayden Parkway, Bob Doyle Drive, Phillip Road and other public roads. These improvements include—but are not limited to—drainage, water, joint trench utilities, concrete curbs, gutters and sidewalks, maintenance holes, street lighting, landscaping, masonry walls, traffic signals, transportation, wastewater, solid waste, parks, open space, utilities, and other miscellaneous improvements.

The subject property, which comprises the land areas situated within the boundaries of the proposed Fiddyment Ranch Community Facilities District No. 1, is located in the West Roseville Specific Plan, within the city of Roseville, Placer County, California. Specifically, the subject property is situated west of Fiddyment Road, north and south of Blue Oaks Boulevard. The following tables detail the various land use components encompassing Fiddyment Ranch Community Facilities District No. 1.

Designation	Proposed Land Use	Acreage	No. of Lots	No. of Units	Typical Lot Size (SF)	Owner/Developer
Phase I						
F-1A	LDR	20.6	93	-	5,000	Shea Homes
F-1B	LDR	20.6	83	-	6,600	Morrison Homes
F-2	LDR	33.8	127	-	6,050	Christopherson Homes
F-3	LDR	24.3	135	-	4,725	KB Homes
F-4	LDR	32.2	77	-	9,600	Signature Properties
F-5A	LDR	23.1	75	-	7,800	Lennar Corporation
F-5B	LDR	25.3	82	-	7,800	Signature Properties
F-17	MDR	16.0	131	-	3,200	Signature Properties
F-21	HDR	12.6	-	182	-	Signature Properties
	HDR (Affordable)	2.6	-	37	-	Signature Properties
F-22	HDR	6.8	-	82	-	Signature Properties
	HDR (Affordable)	3.6	-	44	-	Signature Properties
F-23	HDR	4.5	-	64	-	Signature Properties
	HDR (Affordable)	6.7	-	96	-	Signature Properties
F-24	HDR	7.2	-	114	-	Signature Properties
	HDR (Affordable)	5.4	-	86	-	Signature Properties
F-30	Business Professional	8.7	-	-	-	Signature Properties
F-31	Commercial	13.9	-	-	-	Signature Properties
F-35	Commercial	1.9	-	-	-	Signature Properties
Total - Phase I		*269.8*	*803*	*705*		
Phase II						
F-9A	LDR	41.0	95	-	10,800	Signature Properties
F-9B	LDR	31.3	111	-	7,800	Signature Properties
F-9C	LDR	26.7	104	-	6,600	Signature Properties
F-14A	LDR	22.1	97	-	6,050	Signature Properties
F-14B	LDR	21.4	107	-	4,725	Signature Properties
F-14C	LDR	28.5	111	-	5,775	Signature Properties
F-14D	LDR	31.3	107	-	6,600	Signature Properties
F-15A	LDR	17.5	80	-	4,725	Signature Properties
F-15B	MDR	11.9	102	-	3,150	Signature Properties
F-15C	MDR	12.6	98	-	3,200	Signature Properties
F-16A	MDR	12.6	96	-	3,200	Signature Properties
F-16B	MDR	8.8	64	-	2,625	Signature Properties
	MDR (Affordable)	6.4	46	-	2,625	Signature Properties
F-19	LDR	25.2	108	-	6,050	Signature Properties
F-25	HDR	4.5	-	70	-	Signature Properties
	HDR (Affordable)	1.3	-	20	-	Signature Properties
F-26	HDR	4.6	-	70	-	Signature Properties
	HDR (Affordable)	1.3	-	20	-	Signature Properties
F-32	Commercial	5.0	-	-	-	Signature Properties
F-33	Commercial	4.9	-	-	-	Signature Properties
Total - Phase II		*318.9*	*1,326*	*180*		

Note: LDR - Low Density Residential, MDR - Medium Density Residential, HDR - High Density Residential

Designation	Proposed Land Use	Acreage	No. of Lots	No. of Units	Typical Lot Size (SF)	Owner/Developer
Phase III						
F-6A	LDR	34.4	112	-	8,400	Signature Properties
F-6B	LDR	28.6	75	-	8,400	Signature Properties
F-7	LDR	35.3	111	-	8,400	Signature Properties
F-8	LDR	31.7	91	-	7,800	Signature Properties
F-10A	LDR	61.1	143	-	9,600	Signature Properties
F-10B	LDR	25.5	84	-	8,400	Signature Properties
F-11	LDR	40.8	99	-	8,400	Signature Properties
F-12	LDR	54.1	167	-	8,400	Signature Properties
F-13A	LDR	24.5	76	-	9,600	Signature Properties
F-13B	LDR	29.8	78	-	8,400	Signature Properties
F-20	HDR	3.0	-	52	-	Signature Properties
	HDR (Affordable)	3.9	-	68	-	Signature Properties
F-34	Commercial	5.3	-	-	-	Signature Properties
Total - Phase III		*378.0*	*1,036*	*120*		
Total		**966.7**	**3,165**	**1,005**		

Note: LDR - Low Density Residential, MDR - Medium Density Residential, HDR - High Density Residential

While several model homes are currently under construction, the contributory value of the improvements is beyond the scope of our analysis. Therefore, in estimating the hypothetical market values of the subject property, we will only consider the value of the underlying land. There are also a number of public/quasi-public land areas (e.g., school sites, parks and open space) that are within the boundaries of the District but will not be encumbered by special taxes. Thus, these sites are excluded from our analysis.

We have been requested to provide estimates of hypothetical market value of the subject property by ownership entity. The value estimates assume a transfer would reflect a cash transaction or terms considered to be equivalent to cash. The estimates are also premised on an assumed sale after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with buyer and seller each acting prudently, knowledgeably, for their own self-interest, and assuming neither is under duress.

In light of the fact that the improvements to be financed by the District bonds were not in place as of our date of inspection, the value estimates are subject to a hypothetical condition, defined as "that which is contrary to what exists but is supposed for the purposes of analysis."[1] Specifically, the hypothetical market value estimates assume the completion of the public facilities to be financed by the Fiddyment Ranch Community Facilities District No. 1 bond issuance (Series 2005 and 2006 bonds). The estimates of value also account for the impact of the lien of the Special Tax securing the bonds. The following estimates represent the hypothetical market values for each ownership entity. As a result of our analysis, it is our opinion the hypothetical market values of the subject property, in

[1]The Uniform Standards of Professional Appraisal Practice, 2005 ed. (Appraisal Standards Board), 3.

accordance with the definitions, certifications, assumptions and significant factors set forth in the attached document (please refer to pages 9 through 11), as of June 12, 2006, are as follows:

Owner/Developer	Hypothetical Market Value
Signature Properties (Master Developer)	$337,300,000
Shea Homes	$14,890,000
Morrison Homes	$14,060,000
Christopherson Homes	$21,120,000
KB Homes	$21,400,000
Lennar Corporation	$10,960,000
Hypothetical Cumulative Value	**$419,730,000**

The sum of the hypothetical market values for the individual ownership entities represents the hypothetical cumulative value of the properties within the District, which is not equivalent to the hypothetical market value of the District as a whole.

This letter must remain attached to the report, which contains 200 pages, plus related exhibits and Addenda, in order for the value opinion(s) contained herein to be considered valid.

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

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

Sincerely,

P. Richard Seevers, MAI
State Certification No.: AG001723
Expires: August 12, 2008

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

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

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Preliminary Title Report
Developer's Budget
Glossary of Terms
Qualifications of Appraiser(s)

SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS

Property:	The appraised property comprises the land situated within the boundaries of Fiddyment Ranch Community Facilities District No. 1.
Location:	West of Fiddyment Road, north and south of Blue Oaks Boulevard, within the city of Roseville, Placer County, California
Land Use:	The properties within the District are comprised of the following components: 3,165 single-family residential lots (including 83 affordable housing lots), a multifamily residential component encompassing 1,005 developable units (including 334 affordable housing units), five commercial sites totaling 31.0 acres, and a business professional (office) site containing 8.7 acres of land area.
Assessor's Parcel Number(s):	The subject property is situated within the confines of several assessor's parcels identified as 017-100-009, -010, -049 through -062, -064 through -071, 017-115-001, -051, -062, -063, and -089 through -094.
Owner(s) of Record:	Title to the subject property is currently vested with Signature Properties (dba Roseville Fiddyment Land Venture, LLC and West Roseville Development Company), Shea Homes, Morrison Homes, Christopherson Homes, KB Homes and Lennar Corporation. Please reference the land use table in the following section for further details.
Zoning:	The various land components representing the subject property are designated for single-family residential, multifamily residential, retail and office uses. For a complete description of the underlying zoning ordinances, please refer to the *Property Identification and Legal Data* section of this report.
Flood Zone:	Flood Zone X – Areas outside of the 100 and 500-year floodplains. Flood insurance is not required.
Earthquake Zone:	Zone 3 – Moderate seismic activity (not located in a Fault-Rupture Hazard Zone)
Developable Land Area (Excludes Tax Exempt Areas):	
Single-family residential component	859.0± acres

Multifamily residential component	68.0± acres
Commercial (retail) component	31.0± acres
Business professional (office) component	8.7± acres
Total	966.7± acres

Highest and Best Use: Development as single-family residential subdivisions, with complimentary multifamily, retail and office land areas

Date of Inspection: June 12, 2006

Effective Date of Value: June 12, 2006

Date of Report: July 6, 2006

Property Rights Appraised: Fee simple estate

Conclusions of Hypothetical Market Value:

Owner/Developer	Hypothetical Market Value
Signature Properties (Master Developer)	$337,300,000
Shea Homes	$14,890,000
Morrison Homes	$14,060,000
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The sum of the hypothetical market values for the individual ownership entities represents the hypothetical cumulative value of the properties within the District, which is not equivalent to the hypothetical market value of the District as a whole.

INTRODUCTION

Property Description and History

The Fiddyment Ranch CFD No. 1 bond issuance is scheduled to fund certain portions of the public improvements required for the development of the following components: 3,165 single-family residential lots (including 83 affordable housing lots), a multifamily residential component encompassing 1,005 developable units (including 334 affordable housing units), five commercial sites totaling 31.0 acres, and a business professional (office) site containing 8.7 acres of land area. There are also a number of public/quasi-public land areas (e.g., school sites, parks and open space) that are within the boundaries of the District but will not be encumbered by special taxes. Thus, these sites are excluded from our analysis. The following tables detail the various developable land use components comprising the subject property.

Designation	Proposed Land Use	Acreage	No. of Lots	No. of Units	Typical Lot Size (SF)	Owner/Developer
Phase I						
F-1A	LDR	20.6	93	-	5,000	Shea Homes
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F-3	LDR	24.3	135	-	4,725	KB Homes
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F-5A	LDR	23.1	75	-	7,800	Lennar Corporation
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F-34	Commercial	5.3	-	-	-	Signature Properties
Total - Phase III		*378.0*	*1,036*	*120*		
Total		**966.7**	**3,165**	**1,005**		

Note: LDR - Low Density Residential, MDR - Medium Density Residential, HDR - High Density Residential

In total, the Fiddyment Ranch master planned community encompasses approximately 1,678 acres of land area, with the developable areas comprising 966.7± acres. The appraised property is situated west of Fiddyment Road, north and south of Blue Oaks Boulevard, within the West Roseville Specific Plan, in the city of Roseville, Placer County, California. Land uses in the subject's immediate area are devoted primarily to residential uses and supporting commercial development, both of which have experienced steady acceptance by the market. With the development of the Fiddyment Ranch and neighboring Westpark master planned communities, there are a variety of land uses, including single and multifamily residential, commercial and recreational uses that will be incorporated into the area in the near-term.

With respect to the sales history, several of the villages within Phase I of the subject development transferred from Signature Properties to various merchant builders. The details of these transactions are summarized in the table below. The villages were negotiated and sold on blue-top basis, which is representative of a partially improved lot with grading and rough cuts for the streets in place. The reported sale prices are exclusive of bonds.

Designation	Buyer	No. of Lots	Contract Date	Sale Price	Sale Price/Lot
Parcel F-1A	Shea Homes	93	November 2004	$14,452,200	$155,400
Parcel F-1B	Morrison Homes	83	February 2005	$13,363,000	$161,000
Parcel F-2	Christopherson Homes	127	November 2004	$21,590,000	$170,000
Parcel F-3	KB Homes	135	February 2005	$22,005,000	$163,000
Parcel F-5A	Lennar Corporation	75	February 2005	$12,375,000	$165,000

While the previous transactions are arm's length, the purchase prices are not deemed representative of current market value due to the improvement in market conditions since the properties were placed under contract. Additionally, substantial site development work has been completed for each

of these villages. While purchase agreements and letters of intent for several villages within Phase II have been executed with a number of merchant builders, the owner has requested the details relating to the pending sales remain confidential until the properties close escrow.

Type and Definition of Value

The purpose of this appraisal is to estimate the hypothetical market values of the subject property by ownership entity, assuming the completion of the primary infrastructure and facilities to be financed by the Fiddyment Ranch Community Facilities District No. 1 bond issuance (Series 2005 and 2006 bonds). Market value is defined as follows:

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

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

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

Client, Intended User and Intended Use of the Appraisal

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

[2] Federal Register, vol. 55, no. 163, August 22, 1990, 34228 and 34229.
[3] The Uniform Standards of Professional Appraisal Practice, 2005 ed. (Appraisal Standards Board), 3.

Property Rights Appraised

The value estimates derived herein are for the fee simple estate, defined as follows:

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

The rights appraised are subject to the *General and Extraordinary Assumptions, Limiting Conditions and Significant Factors* contained in this report and to any exceptions, encroachments, easements and rights-of-way recorded. Primary among the assumptions in this analysis is the premise that the value estimate reflects the completion of the public facilities to be financed by the Series 2005 and 2006 bonds, and it accounts for the impact of the lien of the Special Tax securing the bonds.

Type of Appraisal and Report Format

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

Dates of Inspection, Value and Report

An inspection of the subject property was completed on June 12, 2006, which represents the effective date of hypothetical market value. This appraisal report was completed and assembled on July 6, 2006.

Scope of the Appraisal

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

We researched and documented several legal and physical aspects of the subject property. A physical inspection of the property was completed and serves as the basis for the site description contained in this report. Interviews were conducted with Ms. Carli Fuchs and Mr. Dmitry Semenov of Signature Properties, regarding the property history and development information. The sales history was verified by consulting public records. Various documents were provided for the appraisal, including a developer's budget, site maps and development timeline. We contacted the

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

City of Roseville Planning Department regarding zoning and entitlements. The earthquake zone, flood zone and utilities were verified with applicable public agencies. Property tax information for the current tax year was obtained from the Placer County Treasurer-Tax Collector's Office.

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

In this appraisal, we determined the highest and best use of the subject property as though vacant, based on the four standard tests (legal permissibility, physical possibility, financial feasibility and maximum productivity). In addition, we estimated a reasonable exposure time associated with the hypothetical market value estimates.

We have been requested to provide estimates of hypothetical market value of the subject property by ownership. The subdivision development method to value (discounted cash flow analysis) was relied upon in the analysis of the subject property. As a component of the subdivision development method, the sales comparison approach and extraction technique were employed to estimate value for a typical village (8,400 square foot lot size) within the Fiddyment Ranch master planned community. Then, we utilized the data set and other market indicators to establish the incremental value difference between each of the lot groupings that are either smaller or larger than the subject's 8,400 square foot lots. The sales comparison approach was also employed to estimate revenue for the retail and office components. With respect to the multifamily component, six sites are encumbered by an affordable housing requirement. Due to the lack of recent sales relating to affordable housing multifamily developments (or sites), the extraction technique was exclusively relied upon to develop an opinion of hypothetical market value for these parcels. In the application of the extraction technique, the income capitalization approach was utilized to establish value for hypothetical multifamily housing developments, after which estimated costs of construction were deducted, resulting in estimates of value for the underlying sites. Finally, the sales comparison approach was employed once again to estimate the hypothetical market values of the multifamily sites that do not have an affordable housing requirement.

The resultant value (revenue) indicators were incorporated into discounted cash flow analyses to estimate the hypothetical market values of the subject property by ownership entity, assuming the completion of the improvements to be financed by the Fiddyment Ranch CFD No. 1 bond issuance (Series 2005 and 2006 bonds). It is noted that the sum of the hypothetical market values for the individual ownership entities represents the hypothetical cumulative value of the properties within the District, which is not equivalent to the hypothetical market value of the properties as a whole.

While several model homes are currently under construction, the contributory value of the improvements is beyond the scope of our analysis. Therefore, in estimating the hypothetical market values of the subject property, we only considered the value of the underlying land. There are also a number of public/quasi-public land areas (e.g., school sites, parks and open space) that are within the boundaries of the District but will not be encumbered by special taxes. Thus, these sites have been excluded from our analysis.

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

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

EXTRAORDINARY ASSUMPTIONS, SIGNIFICANT FACTORS AND HYPOTHETICAL CONDITIONS

Extraordinary Assumptions and Significant Factors

1. The values derived in this report are directly tied to the subdivision maps provided by the master developer. Any significant change in the number or size of the new parcels could affect the value of the subject property. It is assumed the subject will be subdivided as represented by the developer for this analysis. If, at some future date, alternate mapping or phasing of the subject property is implemented, there will necessarily be a direct impact on value, and the appraisers reserve the right to amend the opinion(s) of value stated herein.
2. We have been provided site development cost projections for the subject property. In comparing these costs with the in-tract costs for other residential developments in the Sacramento region, it appears the budgeted costs are reasonable. Any significant variations from the cost projections used in this analysis could have an impact on the values concluded in this report. If, at some future date, the actual improvement costs are reported to be different from the projected costs utilized in our analysis, the appraiser reserves the right to amend the value opinion(s) contained herein.
3. According to the City of Roseville Planning Department, the tentative and/or final subdivision maps for Phase I of the subject development have been approved. Although the balance of the Fiddyment Ranch development does not have tentative subdivision map approval, a Development Agreement is in place between the City of Roseville and the developer that grants the right to develop the property as planned, so long as the density, intensity, rate and timing of the development remains consistent with the West Roseville Specific Plan and the Development Agreement. In light of the fact the submitted maps are consistent with the West Roseville Specific Plan, the City of Roseville Planning Department does not anticipate any impediments in the approval process. The approvals should represent a routine function for the Planning Department. Thus, no discount will be applied for the subject's land areas that lack tentative subdivision map approval. If for any reason the approval process is delayed indefinitely, the appraisers reserve the right to amend the opinion(s) of value stated herein.
4. The subject property represents several contiguous assessor's parcels identified as 017-100-009, -010, -049 through -062, -064 through -071, 017-115-001, -051, -062, -063, and -089 through -094. It is assumed lot line adjustments will be made in order to enable the transfer of the subject's land components (e.g., villages) as separate, legal parcels.

Hypothetical Conditions

5. The estimate of hypothetical market value assumes the completion of the public infrastructure improvements to be financed by the Fiddyment Ranch Community Facilities District No. 1 bond issuance (Series 2005 and 2006 bonds). The funds will be used for improvements to Fiddyment Road, Blue Oaks Boulevard, Hayden Parkway, Bob Doyle Drive, Phillip Road and other public roads. These improvements include—but are not limited to—drainage, water, joint trench utilities, concrete curbs, gutters and sidewalks, maintenance holes, street lighting, landscaping, masonry walls, traffic signals, transportation, wastewater, solid waste, parks, open space, utilities, and other miscellaneous improvements.

GENERAL ASSUMPTIONS AND LIMITING CONDITIONS

1. No responsibility is assumed for the legal description provided or for matters pertaining to legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.

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

3. The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated.

4. The information and data furnished by others in preparation of this report is believed to be reliable, but no warranty is given for its accuracy.

5. It is assumed there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for obtaining the engineering studies that may be required to discover them.

6. It is assumed the property is in full compliance with all applicable federal, state, and local environmental regulations and laws unless the lack of compliance is stated, described, and considered in the appraisal report.

7. It is assumed the property conforms to all applicable zoning and use regulations and restrictions unless a nonconformity has been identified, described and considered in the appraisal report.

8. It is assumed all required licenses, certificates of occupancy, consents, and other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.

9. It is assumed the use of the land and improvements is confined within the boundaries or property lines of the property described and there is no encroachment or trespass unless noted in the report.

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

11. The Americans with Disabilities Act (ADA) became effective January 26, 1992. I (we) have not made a specific survey or analysis of this property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. Since compliance matches each owner's financial ability with the cost-to cure the property's potential physical characteristics, the real estate appraiser cannot comment on compliance with ADA. A brief summary of the

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

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

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

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

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

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

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

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

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

CERTIFICATION OF VALUE

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

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

P. Richard Seevers

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

CERTIFICATION OF VALUE

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

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

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

CERTIFICATION OF VALUE

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

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

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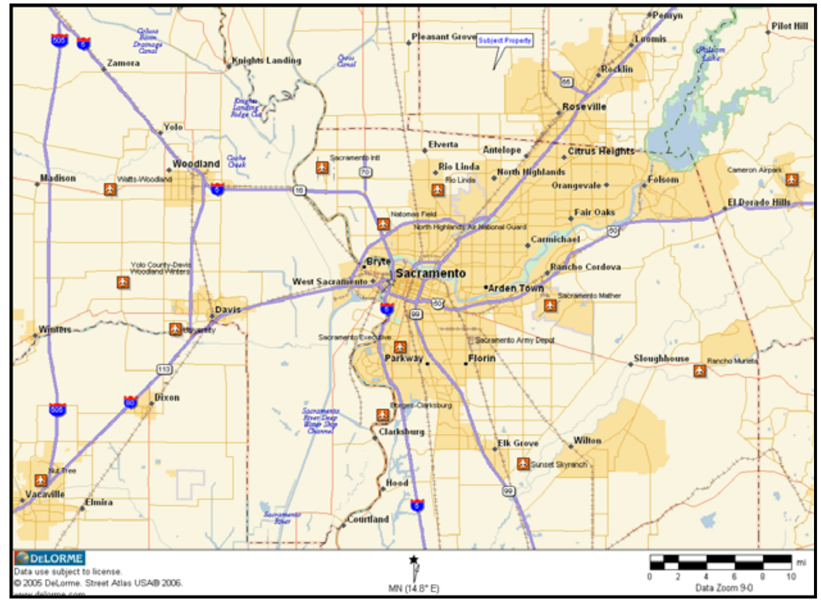
NELSON M. WONG, APPRAISER
State Certification No.: AG034862 (Expires: August 12, 2008)

SACRAMENTO METROPOLITAN AREA REGIONAL OVERVIEW



Introduction

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

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

Geography & Climate

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

The region's climate is fairly mild, with moderate rainfall in winter, virtually none in summer, and a relatively comfortable temperature range year-round. However, temperatures can reach above 100° in the summer on the valley floor, and heavy rain and snowfall can occur during winter months in the northeastern part of the region in the mountainous areas of Placer and El Dorado counties. The climate of Sacramento is warm and dry in the summer with an average daytime high temperature of 93°F, and a cool 57° at night. During Sacramento's winter, daytime high temperatures are typically between 43° and 58°. During Sacramento's rainy season, November through April, an accumulation of about 12 to 18 inches of rain is normal.

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

Recreation & Culture

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

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

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

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

Population

The Sacramento Area is among the fastest growing metropolitan areas in the United States. The population grew by 20% between 1990 and 2000, and by another 14% between 2000 and 2005. This strong growth is attributed primarily to the in-migration of residents from other California and U.S. urban areas. The following table shows historical population growth in the six-county region.

POPULATION TRENDS

County	2001	2002	2003	2004	2005	Avg. Annual Growth
Sacramento	1,252,652	1,287,426	1,317,973	1,346,205	1,369,855	2.3%
Placer	258,892	271,224	284,039	296,579	305,675	4.5%
El Dorado	160,495	164,079	167,252	170,456	173,407	2.0%
Yolo	172,677	177,572	181,328	184,660	187,743	2.2%
Yuba	61,049	62,385	63,747	65,130	66,734	2.3%
Sutter	80,209	81,913	84,166	86,604	88,945	2.7%
Total	**1,985,974**	**2,044,599**	**2,098,505**	**2,149,634**	**2,192,359**	**2.6%**

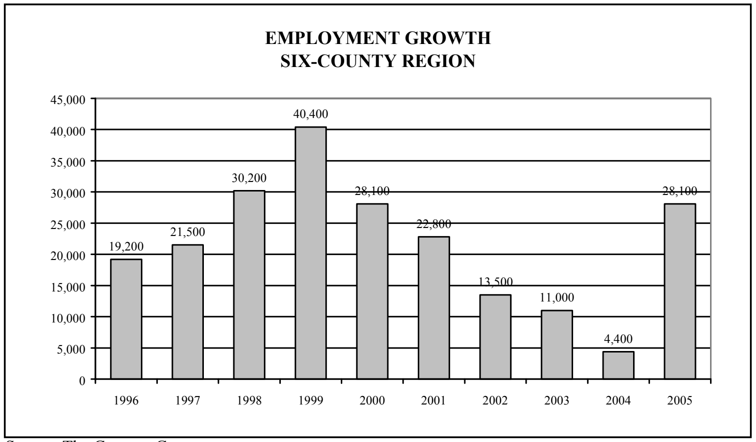
Source: California Department of Finance

The previous table indicates the region has experienced an average annual growth rate of 2.6% since 2001. Placer County has led the region with average growth of 4.5% per year. Most of this growth has occurred in the cities of Roseville, Rocklin and Lincoln.

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

Employment

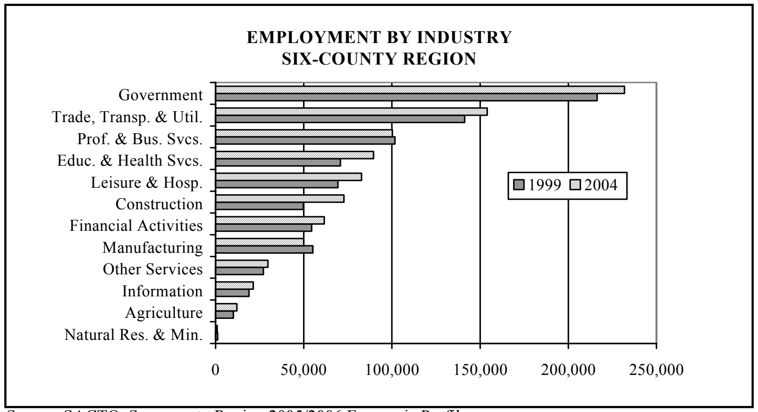
According to the California Employment Development Department (EDD), the Sacramento metropolitan area represents one of the strongest employment centers in California, despite some slowing in the employment growth rate in recent years. Many areas in the state and nation experienced economic slowing and even recessions beginning in the year 2000; however, employment growth in the Sacramento region has been positive each year for at least the last decade. The following table exhibits employment growth in the region over the past 10 years.



Source: The Gregory Group

During the past several years, the local economy has transitioned from a government and agricultural center to a more diverse economy where the business services and trade sectors comprise nearly half of regional employment. Growing industries in the region include technology, life sciences and healthcare. The region has become a western hub for data processing, customer call centers and other corporate back office support activities. The government sector's proportion of total employment is declining as the region grows and diversifies.

The following chart compares the region's employment by industry in 1999 and 2004. During this five-year period, the Construction sector experienced the largest percentage increase in jobs (+46%), followed by Educational & Health Services (+26%), Agriculture (+20%) and Leisure & Hospitality (+20%). Employment in the construction industry has been climbing steadily since 1993, and doubled between 1996 and 2004. The only sectors to experience notable negative job growth in the past five years were Natural Resources & Mining (-18%) and Manufacturing (-9%). Overall, the region is continuing to shift from a goods-producing economy to a service-providing economy.



Source: SACTO, Sacramento Region 2005/2006 Economic Profile

Although government employment is becoming a smaller share of the total, this industry remains significant in the Sacramento region. In fact, government entities, including universities and school districts, account for about 26% of total employment in the region (down from about 30% in 1990). The largest government employers are the State of California and Sacramento County. The decreasing share of total employment is not a result of a reduction in government jobs; in fact, since 1990 the number of government jobs in the region has increased by 38,700 jobs, or 20%. The region's largest non-government employers are listed in the following table.

TOP 10 PRIVATE EMPLOYERS

Company	Industry	Year Est. in Area	No. of Employees
Kaiser Permanente	Healthcare	1965	7,283
Raley's Inc.	Retail grocery	1935	7,134
Intel Corp.	Semiconductors	1984	6,500
UC Davis Health System	Healthcare	1973	6,449
CHW/Mercy Healthcare Sacramento	Healthcare	1896	6,303
Sutter Health Sacramento Sierra	Healthcare	1923	6,227
SBC	Telecommunications	1881	5,010
Hewlett-Packard Co.	Computer hardware	1979	4,000
Target Corp.	Retail	N/Av	3,212
Wells Fargo	Financial services	1852	3,083

Source: Sacramento Business Journal, Top 25 Book of Lists 2005

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

LABOR FORCE AND EMPLOYMENT TRENDS

Sacramento County	1990	1995	2000	Oct. 2004	Oct. 2005
Labor Force	533,600	538,900	602,900	668,700	685,100
Employment	509,700	502,100	577,400	634,600	652,100
Unemployment Rate	4.5%	6.8%	4.2%	5.1%	4.8%
El Dorado County					
Labor Force	65,200	72,700	77,300	89,100	91,700
Employment	62,400	67,700	74,100	85,200	87,600
Unemployment Rate	4.4%	6.9%	4.1%	4.4%	4.4%
Placer County					
Labor Force	91,500	102,900	125,600	155,600	159,900
Employment	87,700	96,500	121,600	149,200	153,300
Unemployment Rate	4.1%	6.2%	3.1%	4.1%	4.1%
Yolo County					
Labor Force	76,100	87,300	93,100	93,700	95,900
Employment	71,000	81,300	89,100	88,900	91,400
Unemployment Rate	6.7%	6.9%	4.3%	5.1%	4.8%
Yuba County					
Labor Force	22,900	21,200	21,200	25,300	26,600
Employment	20,500	18,000	18,700	23,300	24,400
Unemployment Rate	10.3%	15.0%	11.8%	8.0%	8.5%
Sutter County					
Labor Force	34,200	34,600	36,700	40,000	41,200
Employment	29,500	28,600	31,900	36,300	38,000
Unemployment Rate	13.7%	17.2%	13.1%	9.1%	7.6%
TOTAL REGION					
Labor Force	823,500	857,600	956,800	1,072,400	1,100,400
Employment	780,800	794,200	912,800	1,017,500	1,046,800
Unemployment Rate	5.2%	7.4%	4.6%	5.1%	4.9%

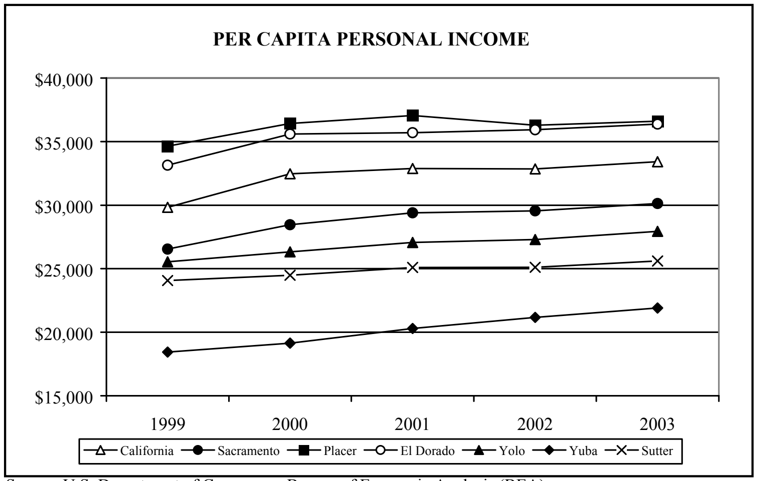
Source: California Employment Development Department

According to EDD, the unemployment rate in the Sacramento region was 4.9% as of October 2005, which marks a decrease from 5.1% a year ago. This compares to 5.0% for the state of California, and 4.6% for the nation. Most areas within the state and nation, including Sacramento, saw rising unemployment rates in 2001 and 2002, stabilization in 2003, and declines in 2004 and 2005. Several local forecasting organizations expect hiring to continue to pick up speed in 2006. It is noted Sutter and Yuba Counties have relatively high unemployment rates, due in large part to a greater dependence on agricultural employment. Overall, unemployment in the Sacramento region has been steadier than most other metropolitan areas in California. This is an indication of the stability of the regional economy.

For the past four years, job growth in the region has been within the range of about 1% to 2% per year. Most local experts and forecasting organizations expect employment growth in the Sacramento Area to improve in 2006, to a growth rate of 2% to 3%. The consulting firm Economy.com expects the region's job growth to outpace the national average through 2009. According to EDD, employment in Sacramento County is projected to grow 19% between 2001 and 2008. The projections for the other counties in the region are as follows: 26% for El Dorado, 37% for Placer, 15% for Yolo, and 13% for Yuba and Sutter. In terms of employment industries, the largest gains are expected to occur in services, trade and government.

Personal Income

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



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

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

Education & Healthcare

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

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

Transportation

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

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

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

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

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

Water transport is also available in the region. The Port of Sacramento is a deep-water port located 79 miles northeast of San Francisco in the city of West Sacramento, serving ocean-going vessels handling a variety of cargo types. The 30-foot depth of the channel, along with extensive rail and truck cargo handling facilities, make the Port highly productive for long distance shipping. The Port is equipped for handling bulk cargo and a number of agricultural and forest products. The Port has been losing money for several years, and the Sacramento-Yolo Port District Commission is now looking into alternative measures to improve its financial performance.

Finally, the region benefits from several air transport facilities. Most notably, Sacramento International Airport is served by 14 carriers – Alaska, Aloha, America West, American, Continental, Delta, Frontier, Hawaiian, Horizon, JetBlue, Mexicana, Northwest, Southwest and United/United Express. In 2004, Sacramento International opened a multi-story, 5,300-stall parking garage. Over 9 million passengers traveled through Sacramento International Airport during fiscal year 2004/2005. Besides the International Airport, the region is also served by several smaller facilities, including Sacramento Executive Airport, Lincoln Regional Airport, Yuba County Airport, Sutter County Airport, and Mather Airport (formerly Mather Air Force Base). In addition to passengers, Sacramento International and Mather Airport process over 250 million pounds of air freight per year.

Environment

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

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

Air quality continues to be a concern in the Sacramento Valley. This area is designated a severe ozone "non-attainment area" by the U.S. Environmental Protection Agency (EPA). This non-attainment area includes all of Sacramento County and parts of El Dorado, Placer, Solano, Sutter and Yolo counties. During the summer, the region fails to meet both the State and Federal health standards for ozone on a number of days. Because the Sacramento Valley is shaped like a bowl, smog presents a critical problem in the summer, when an inversion layer traps pollutants close to the ground, causing unhealthy air quality levels. However, in the past decade, air quality has improved in the Sacramento region. Some of the things that have helped air quality include cleaner cars, smog check requirements, vapor recovery nozzles on gas dispensers, reformed gas, state-wide regulation on the amount of solvents in consumer products, and Federal regulations on solvents contained in painting products. In addition, policymakers have taken steps to improve and expand public transportation systems in the region.

Another environmental concern in the area is flooding, in light of Sacramento's location along two major rivers and several tributaries. Major floods occurred in multiple areas in 1986 and 1997. Most flood-prone areas are concentrated in western Sacramento County and eastern Yolo County, where the American and Sacramento rivers converge. The Sacramento Area Flood Control Agency (SAFCA) was established in 1989 to coordinate a regional effort to finance, implement, and maintain facilities necessary to provide flood protection. Many proposed improvements were approved and funded by the SAFCA Assessment District, established in June 1996. A large portion of these improvements was completed in 1998, which resulted in a new flood designation outside the 100-year flood zone for most areas in northern Sacramento County. As a result of significant improvements to river and creek levees, in early 2005 the Federal Emergency Management Agency (FEMA) revised flood maps to designate the American River floodplain outside the 100-year flood zone. This area includes most of eastern and central Sacramento County. As a result, property owners in these areas are no longer required to maintain flood insurance. In 2006, another new map is expected to declare neighborhoods in the southern portion of the county out of the 100-year floodplain as well. Ongoing and future flood control projects include raising Folsom Dam by seven feet; installing new gates on Folsom Dam; constructing a new bridge over the American River just below Folsom Dam; and completing major levee-strengthening work already under way. The remaining work involving Folsom Dam will likely take more than a decade to complete, but will result in SAFCA's goal of 200-year flood protection for the entire region.

With rapid increases in development in the past few years, there has been growing concern regarding the protection of endangered habitats and species and the conservation of open space. Most development projects in the region, particularly in south Placer County, face opposition from various special interest groups. With regard to endangered habitats and species, development in the region is subject to Federal and State laws concerning this issue. The region contains an extensive list of endangered species and a significant amount of environmentally sensitive land, including vernal pools, wetlands, woodlands and grasslands. In 2002, the U.S. Fish and Wildlife Service proposed designating 154,000 acres in Sacramento and Placer counties as critical habitat for endangered species living in vernal pools. However, in August 2005, the Bush administration issued a revised rule exempting large portions of both counties where developers intend to build. As a result, only 37,098 acres in Sacramento County were designated as critical habitat. Most of this acreage is in the county's rural, southeastern corner, which is not currently planned for development. Placer County, meanwhile, was largely removed from the critical habitat category, with only 2,580 acres affected.

Summary

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

In 2002 and 2003, the Sacramento Area, along with most of the state and nation, experienced some slowing in the economy. The weakening economy was attributed to several factors, including the energy crisis, the rapid slowdown in the technology sector, the events of September 11, 2001, national and international recessions, and the State budget crisis. During 2004 and 2005, the local economy showed signs of improvement, with large gains in the housing market and moderate job growth. Continued improvements in the local economy, particularly in terms of job growth, are anticipated in 2006.

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

SOUTH PLACER COUNTY OVERVIEW

Introduction

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

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

History

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

Geography & Climate

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

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

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

Population

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

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

POPULATION TRENDS – PLACER COUNTY

Area	2001	2002	2003	2004	2005	Avg. Annual Growth
Auburn	12,562	12,593	12,610	12,827	12,849	0.6%
Colfax	1,576	1,713	1,790	1,806	1,822	3.9%
Lincoln	13,628	16,835	19,977	23,413	27,356	25.2%
Loomis	6,310	6,306	6,353	6,322	6,274	-0.1%
Rocklin	39,570	43,147	46,083	49,672	50,494	6.9%
Roseville	83,237	87,667	93,534	98,407	102,191	5.7%
Unincorporated	102,009	102,963	103,692	104,132	104,689	0.7%
Total	**258,892**	**271,224**	**284,039**	**296,579**	**305,675**	**4.5%**

Source: California Department of Finance

As indicated in the previous table, Placer County has experienced a strong average rate of annual growth of 4.5% since 2001. The city of Lincoln, with an average annual growth rate of 25.2%, is by far the fastest growing part of the region, followed by Rocklin and Roseville. Auburn, Loomis, and the unincorporated communities have had relatively stable populations.

The following table compares population trends in Placer County and the other counties that make up the Sacramento Region.

POPULATION TRENDS – SACRAMENTO REGION

County	2001	2002	2003	2004	2005	Avg. Annual Growth
Sacramento	1,252,652	1,287,426	1,317,973	1,346,205	1,369,855	2.3%
Placer	258,892	271,224	284,039	296,579	305,675	4.5%
El Dorado	160,495	164,079	167,252	170,456	173,407	2.0%
Yolo	172,677	177,572	181,328	184,660	187,743	2.2%
Yuba	61,049	62,385	63,747	65,130	66,734	2.3%
Sutter	80,209	81,913	84,166	86,604	88,945	2.7%
Total	**1,985,974**	**2,044,599**	**2,098,505**	**2,149,634**	**2,192,359**	**2.6%**

Source: California Department of Finance

Over the past five years, Placer County has been the fastest-growing county within the six-county Sacramento Region. It is projected this trend will continue for the near future, with the cities of Lincoln, Rocklin and Roseville leading the way.

Employment

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

TOP 10 EMPLOYERS – SOUTH PLACER COUNTY

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

Source: Sacramento Business Journal, Top 25 Book of Lists 2005

Transportation

A significant advantage of the South Placer area is its central location with respect to transportation systems. Interstate 80, State Highway 65 and State Highway 193 are the major routes traversing the

region. Major urban arterials include Douglas Boulevard, Sierra College Boulevard, Roseville Parkway, Pleasant Grove Boulevard, Sunrise Avenue, Auburn-Folsom Road and Foothills Boulevard. In 2005, a major public improvement project was completed at the Douglas Boulevard/Sunrise Avenue/Interstate 80 intersection. The project added new lanes, new on/off ramps and a tunnel that are expected to greatly improve traffic flow in the area.

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

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

Education

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

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

Health Care

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

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

Recreation & Culture

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

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

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

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

Focus: City of Roseville

With a population over 102,000, Roseville represents the largest city in South Placer. This city has seen average annual population growth of 5.7% over the past five years, and has experienced tremendous growth in all segments of real estate. Roseville is one of the "hot spots" for new development in the greater Sacramento region. Within the last decade, new residential subdivisions have been developed in the communities of Woodcreek Oaks, Diamond Creek, Del Webb Sun City, Highland Reserve and Crocker Ranch in west Roseville; and Stoneridge in east Roseville.

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

In terms of retail development, the owner of the 1.1 million square foot Galleria Mall plans to build additional stores, restaurants and parking. Across Galleria Boulevard from the mall, the Creekside Town Center has added thousands of square feet in retail space, including several big-box and in-line stores as well as restaurants. Also across from the mall, The Fountains is a proposed “lifestyle center” on 52 acres. This center will include 350,000 square feet of retail space, and already has commitments from Whole Foods Market, Z Gallerie and Anthropologie. Construction should start in the spring or summer of 2006, with completion in the spring of 2007.

Another area of significant new retail development is the Fairway Drive area, just east of State Highway 65 between Stanford Ranch Road and Blue Oaks Boulevard. This corridor has been developed over the last couple years with big-box stores such as Lowe’s, The Home Depot, Kohl’s, Sport Chalet, WinCo Foods, Target Greatland, Costco, Staples, Toys R Us, Cost Plus, Ross and Linens ‘n Things. At the southeast corner of Pleasant Grove Boulevard and Fairway Drive, Nugget Market will anchor a proposed 140,000 square foot shopping center known as Highland Plaza, which should begin construction in 2006.

In August 2004, the city of Roseville annexed 3,162 acres west of the city limits, creating room for another 8,430 homes and apartment units, as well as industrial projects and vast areas of open space. Site work on this project, referred to as the West Roseville Specific Plan Area, commenced in mid-2005, and development will take place over the next several years. The area is expected to add thousands of new homes that will accommodate about 21,000 residents. About 35% of the specific plan area will be open space and parks. One of the most prominent planned projects for the area is a 600-acre development to house a private university near Baseline Road. The City also plans to annex 2,365 acres further to the west and north of the West Roseville Specific Plan Area. The annexation was approved by the City Council in June 2005.

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

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

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

Focus: City of Rocklin

Like the neighboring city of Roseville, Rocklin has seen tremendous residential and commercial growth during the past decade. The city’s population has grown by an average of 6.9% over the past five years, and is now over 50,000 people. Stanford Ranch was one of the city’s first and largest master-planned communities, and contains much of the city’s residential development. Stanford Ranch is also home to Twin Oaks Park, Rocklin High School and several neighborhood retail centers. At the intersection of Park Drive and Stanford Ranch Road are two neighborhood shopping centers. One is Stanford Ranch Plaza, anchored by an Albertson’s grocery store, and the other is The Shops at Stanford Ranch, anchored by Longs Drugs. Rock Creek Plaza, a Safeway anchored center, and a California Family Fitness anchored center, were completed in 2002-2003 at the intersection of Park Drive and Sunset Boulevard.

Another area seeing new development in Rocklin is the Granite Drive corridor, adjacent to Interstate 80. Granite Creek Business Park on Granite Drive near Sierra College Boulevard is a 22.5-acre center that began development in late 2001 and will contain 200,000 square feet of concrete tilt-up office/tech buildings at build-out. A retail strip center was completed in 2004 at the northeast corner of Granite Drive and Sierra Meadows Drive. At the northwest corner of Granite Drive and Rocklin Road, a two-story office/medical/retail building was erected in 2004-2005. A Niello Porsche auto dealership was constructed in 2005. Rocklin Crossings, a 534,500 square foot center, is proposed by Donahue Schriber on 59 acres bounded by Interstate 80, Sierra College Boulevard and Granite Drive. Just north of this development, another retail center is planned that would include 361,200 square feet.

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

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

Construction began in mid-2005 on the Blue Oaks Town Center along Highway 65 to the north of Blue Oaks Boulevard. This 600,000 square foot center will be anchored by R.C. Willey, a home furnishings and electronics store. This will be R.C. Willey's first California store. Other tenants will include Sportsman's Warehouse, Office Depot and Lucille's Smokehouse Barbecue. A Staybridge Suites hotel is planned adjacent to the shopping center.

Other Growth Areas

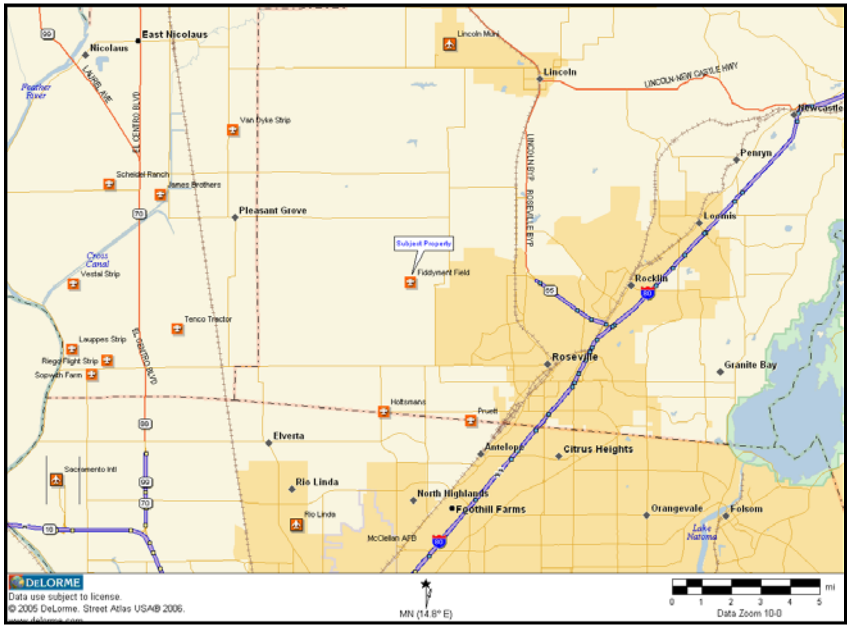
In the southwestern corner of Placer County is the Placer Vineyards Specific Plan Area. This area is bounded by the Sutter County Line on the west, Baseline Road on north, the Sacramento County Line on the south, and Walerga Road on the east. This area encompasses 5,158 acres of land area that will be developed with a mix of residential, commercial and community uses, as well as open space. More than 14,000 homes are proposed for the area, with construction estimated to begin by 2008. The project also includes plans for a 100-acre town center with public services and retail facilities, plus an additional 88 acres for retail development and 257 acres for office and industrial development.

The Bickford Ranch project, situated between Penryn and Lincoln, is finally moving ahead after several years of litigation with environmental groups. The project is expected to add nearly 5,000 residents and will include 1,890 homes, a private golf course, public parks, a commercial center and 720 acres of open space. SunCal plans to develop 648 single-family homes, 66 townhouses, a 106-unit site for affordable housing, 150 custom home sites and a community center. Lennar's U.S. Homes will develop a 920-lot community for active seniors that includes an 18-hole golf course. The first homes are expected to come online in 2006.

Summary

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

NEIGHBORHOOD OVERVIEW



Introduction

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

Neighborhood Boundaries

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

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

The subject property is located in the southwest portion of Placer County, in the city of Roseville, approximately 15 miles northeast of the Central Business District of Sacramento. The subject's neighborhood is generally bound by the Roseville city limits to the north, Baseline Road to the south, Foothills Boulevard to the east, and Watt Avenue to the west. The majority of the subject neighborhood lies within the West Roseville Specific Plan Area.

Demographics

The subject neighborhood includes extensive single-family residential development, with some multifamily projects and limited supporting commercial development. The population in the 95747 zip code is approximately 25,316 persons. The population of the entire City of Roseville is about 85,000 persons. The median age of neighborhood residents is about 33 years. Approximately half of the neighborhood's households are comprised of married couples, and two-thirds of the households contain children. The median income within the neighborhood, which includes all areas in the 95747 zip code, is just over $63,300, which is above the national median income of about $39,700. Roseville has one of the highest median household incomes in the Sacramento Metropolitan area. In the past, the proximity of Roseville to Sacramento and convenient highway transportation routes made this area a popular bedroom community. However, recent expansion by electronic and other manufacturing firms along State Highway 65 has created a more localized economic base for the Roseville community.

Transportation

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

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

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

Land Uses

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

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

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

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

Community Uses

The subject neighborhood is served by several community uses typical of a suburban residential area, including schools, parks, churches, libraries, hospitals and open space. Neighborhood parks include Weber, Wanish, Silverado Oaks and Buljan Parks. Mahany Park, a regional park at the southwest quadrant of Woodcreek Oaks Boulevard and Pleasant Grove Boulevard, offers a softball complex and the neighboring Roseville Aquatics Complex and Roseville Sports Center. There are several golf courses in the neighborhood, including the public Woodcreek Oaks Golf Club and Diamond Oaks Municipal Golf Course, as well as the private Sierra View Country Club and 27 holes in the Sun City Roseville development.

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

West Roseville Specific Plan

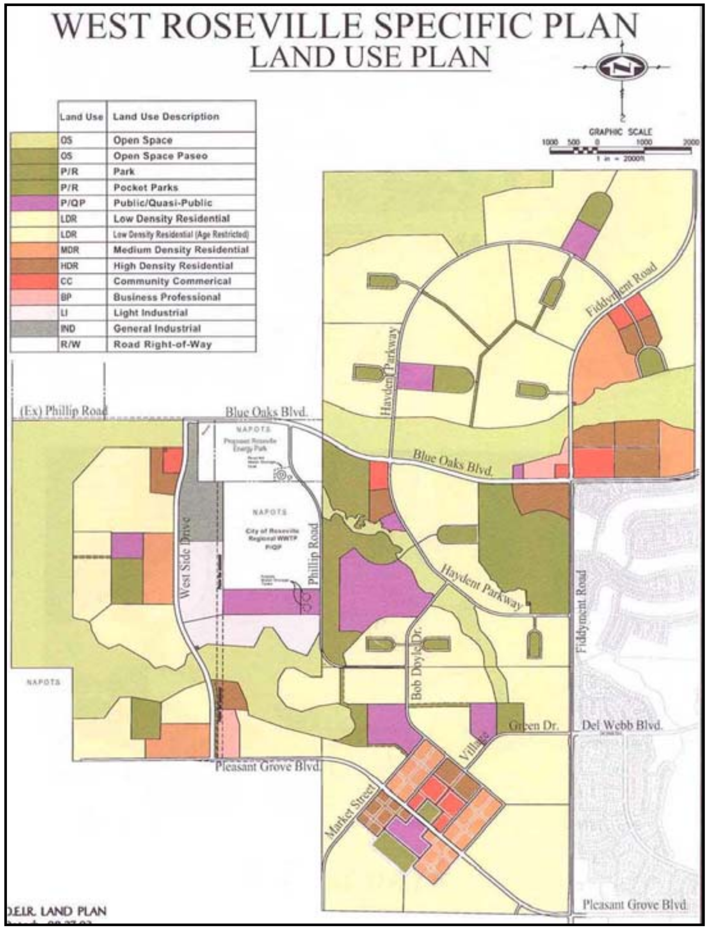
The subject property is situated within the recently adopted West Roseville Specific Plan, projected for the development of 3,162± acres located west of Fiddyment Road. The West Roseville Specific Plan is devoted primarily to residential uses, with a supporting mix of commercial, public and recreational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

After the projects were approved, the master developers (Westpark Associates and Signature Properties) and the City of Roseville were quickly sued by The Sierra Club, Sierra Foothills Audubon Society and the town of Loomis, who argued the development of the properties within the West Roseville Specific Plan would have adverse impacts on the environment, air quality, water supply, and traffic in the region. They further claimed the environmental analysis executed in the preliminary stages of the development plan did not properly take into account the environmental impact of the proposed communities. To avoid a court battle and possible delay in overall development, Westpark Associates and Signature Properties, along with the City of Roseville, negotiated a settlement agreement with The Sierra Club, Sierra Foothills Audubon Society and the town of Loomis. The settlement agreement calls for a one-half percent conveyance fee to be collected over a 20-year period on all resale homes. This conveyance fee will be used to purchase

conservation easements in Placer County, and the land areas are to remain undeveloped and set aside as open space. The master developers agreed to loan $8 million to Placer Land Trust, the non-profit organization responsible for purchasing the mitigation properties, so land preservation can begin prior to collection of the conveyance fee. In a separate issue, Loomis town officials claimed the development of the projects would cause too much additional traffic on regional roadways. Thus, under the settlement agreement, Loomis will receive $75 per dwelling unit, which is expected to finance the widening and installation of traffic signals along Sierra College Boulevard. Other stipulations of the settlement agreement require the city to operate a 15-passenger bus from West Roseville to the Watt Avenue/Interstate 80 light rail station after 3,000 building permits have been issued. Additionally, another dwelling unit fee will be implemented to raise $1 million for the Placer County Air Pollution Control District.

After the first settlement agreement was reached, the city of Roseville and the master developers were sued once again, this time by Defenders of Wildlife and the Butte Environmental Council, who claimed the Fish and Wildlife Service failed to secure proper mitigation that would preserve the recovery of vernal pool grasslands, habitats and species. A second settlement agreement was agreed upon, requiring 65% of the land to be conserved under the first settlement agreement be vernal pool critical habitat. Additionally, two acres of vernal pool habitat is required to be purchased for every acre developed. All of the issues relating to the environmental and traffic issues have been resolved through the implementation of the settlement agreements. As such, these issues are not considered to adversely impact the marketability or development of the properties.

The two developments comprising the West Roseville Specific Plan Area consist of Westpark and Fiddyment Ranch. A map of the West Roseville Specific Plan is located on the following page, followed by a discussion of the Westpark and Fiddyment Ranch developments.



Westpark Master Planned Community

Owned by PL Roseville, LLC, the Westpark master planned community will include the development of the following components: 3,566 single-family residential lots (including 704 age-restricted and 85 affordable housing units), a multifamily residential component encompassing 694 developable units (including 341 affordable housing units), three commercial sites containing a combined 18.4 acres, a business professional site measuring 10.5 acres, three industrial sites totaling

108.5 acres, three schools (elementary, middle and high school), a church and numerous neighborhood parks, as well as open space. The centerpiece of the Westpark master planned community is the Village Center, which is planned to accommodate a broad mix and configuration of uses that form the commercial, service, social and activity focus for the West Roseville Specific Plan. There are various land uses incorporated into the Village Center area, including medium and high-density residential, community commercial, parks and recreation and public/quasi-public uses. An artist rendering of the Village Center is presented below:

Fiddyment Ranch

The Fiddyment Ranch master planned community is being developed by Signature Properties. The development encompasses 1,678± acres of land and, at completion, will include 3,165 single-family residences, 1,005 multifamily units, 31.0 acres of retail development, an office site containing 8.7 acres of land area, two schools, a fire station and several parks and open space areas. The project will be developed in three phases. Several of the villages within Phase I have sold to various merchant builders, including Shea Homes, KB Homes, Meritage Homes, Christopherson Homes and Lennar Corporation. Two regional parks are located within the Fiddyment Ranch development and are identified as Fiddyment Park and Regional Sports Park. Fiddyment Park (Parcel F-54) encompasses 91± acres of land area located west of Fiddyment Road and south of Blue Oaks

Boulevard. As proposed, this park will include bike and pedestrian paths, activity greens, a frisbee (disc) golf course, and a multi-purpose center. The Regional Sports Park (Parcels F-55 and F-56) is a proposed 75.6 acre city-wide park that is proposed as a regional facility for tournaments and local league events. Proposed improvements include lighted soccer fields, swimming pool, tennis courts, softball diamonds, picnic areas, and pathways.

Conclusion

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

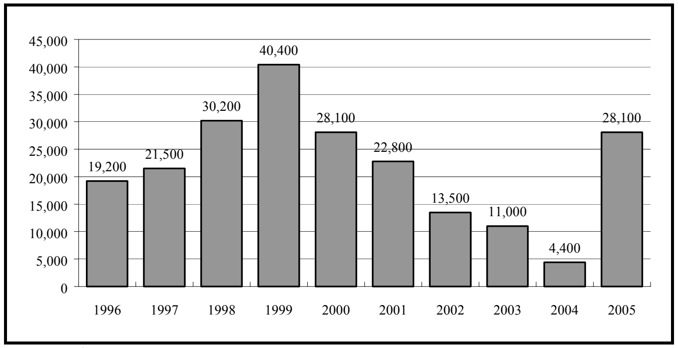
SACRAMENTO METROPOLITAN AREA HOUSING MARKET OVERVIEW

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

Employment & Economy

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

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



Source: The Gregory Group

Since peaking in 1999, job growth in the region gradually decreased each year through 2004, then showed marked improvement in 2005. Some local analysts, economists and industry experts cited concerns about the slowdown in job growth in the early 2000s and its ultimate impact on the housing market. However, job growth has remained positive and the housing market has continued to show solid growth over the past few years.

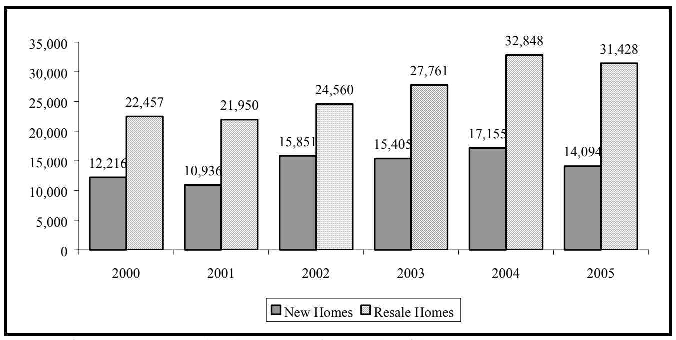
Based on information provided by The Gregory Group, a local enterprise tracking the regional housing market, and the California Employment Development Department (EDD), the total number of non-farm jobs in the Sacramento Region increased by 28,100 jobs, or by 3.2%, in the year 2005. Currently the region's non-farm employment is 913,900. The Construction industry recorded an increase of 2,800 jobs (+3.8%); Manufacturing grew by 3,100 jobs (+6.4%); Government grew by 2,600 jobs, or 1.1%; and the Services industry grew by 17,900 jobs (+3.6%). The unemployment rate in the Sacramento MSA averaged 4.4% in 2005, which was down from 5.1% in 2004.

For the coming year, most experts predict moderate job growth in the range of 1-3% for the Sacramento Region. Beyond that, the long-term outlook for employment in the region is good. According to EDD, employment in Sacramento County is projected to grow 19% between 2001 and 2008. The projections for the other counties in the region are as follows: 26% for El Dorado, 37% for Placer, 15% for Yolo, and 13% for Yuba and Sutter. In terms of employment industries, the largest gains are expected to occur in Services, Trade and Government.

Historical Trends

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

HOME SALES, SIX-COUNTY REGION

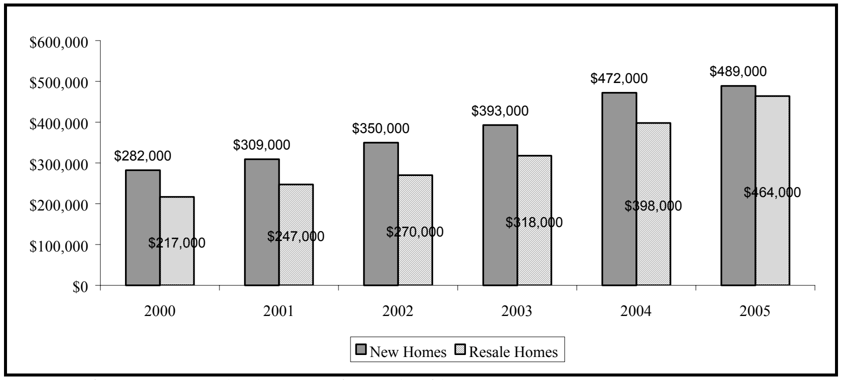


Source: The Gregory Group (new); Lyon Real Estate (resale)

The chart indicates sales of new and resale homes declined in the year 2005 compared to the year 2004. Further declines are expected for 2006. However, the figures for 2005 and 2006 are strong compared to historical figures.

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

AVERAGE HOME SALE PRICE, SIX-COUNTY REGION



Source: The Gregory Group (new); Lyon Real Estate (resale)

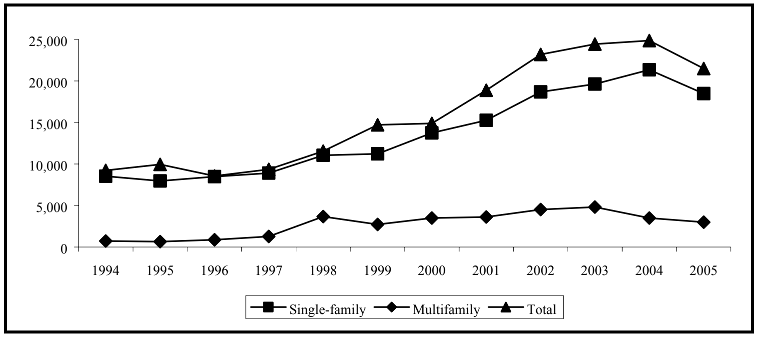
As shown above, prices for both new and resale homes have climbed over the past several years. Prices are expected to be stable to slightly rising in 2006. The rate of appreciation, if any, is expected to be much slower than was seen between 2002 and 2005.

Housing Permits

An operative measure of the condition of the region's housing market is the number of housing permits issued over time. New residential permit activity has steadily increased in the Sacramento Region since 1996. For the year 2002, a total of 23,177 single- and multifamily permits were issued, which represented a gain of 22.8% over 2001. In 2003, 24,419 permits were issued during the year, reflecting an increase of 5.4% over 2002. In 2004, a slight increase was seen when 24,840 permits were issued during the year. A total of 21,477 permits were issued during 2005, a decrease of 13.5% from 2004. The reduction in building permits is largely attributable to diminishing inventories of developable land in the Sacramento Region.

The following table reflects new permit activity for the Sacramento Region for the past decade.

BUILDING PERMITS, SIX-COUNTY REGION



Source: The Gregory Group

E/P Ratio Trends

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

The following table illustrates E/P ratio trends in the Sacramento Region since 1994.

E/P RATIO, SIX-COUNTY REGION

Year	Employment Gains (Non-farm)	Total Permits	E/P Ratio	Single-family Permits	E/P Ratio
1994	18,200	9,233	1.97	9,233	1.97
1995	19,300	9,954	1.94	7,951	2.43
1996	19,200	8,538	2.25	8,470	2.27
1997	21,500	9,351	2.30	8,898	2.42
1998	30,200	11,535	2.62	11,035	2.74
1999	40,400	14,694	2.75	11,212	3.60
2000	28,100	14,876	1.89	13,744	2.04
2001	22,800	18,871	1.21	15,256	1.49
2002	13,500	23,177	0.58	18,665	0.72
2003	11,000	24,419	0.45	19,631	0.56
2004	4,400	24,840	0.18	21,339	0.21
2005	28,100	21,477	1.31	18,479	1.52

Source: The Gregory Group

The table above illustrates that job growth was particularly strong relative to building permits between 1994 and 2001. The E/P ratio declined steadily between 2001 and 2004, and increased in 2005. Market evidence suggests there is still significant pent-up demand for housing from the high job growth in previous years. Despite increases in the number of building permits issued in recent years, construction has not been keeping up with the growing demand for residential units created from employment growth in the Sacramento Metropolitan area. It appears the market has been attempting to meet the demand for new housing in the region.

Population Trends

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

The following table illustrates the total population of the Sacramento Region from 1994 through 2020 (projected), with corresponding growth for the periods noted.

POPULATION TRENDS

Year	El Dorado County	Placer County	Sacramento County	Yolo County	Sacramento-Yolo CMSA	Population Growth
1996	145,900	215,000	1,127,700	155,700	1,644,300	1.3%
1997	148,400	222,300	1,141,900	158,300	1,670,900	1.6%
1998	150,900	229,700	1,157,400	160,700	1,698,700	1.7%
1999	153,200	238,300	1,185,100	163,500	1,740,100	2.4%
2000	156,299	248,399	1,223,499	168,660	1,796,897	3.3%
2001	159,600	260,300	1,249,200	172,500	1,841,600	2.5%
2002	162,800	272,100	1,282,600	177,300	1,894,800	2.9%
2003	165,900	283,500	1,311,700	181,100	1,942,200	2.5%
2004	168,100	292,100	1,335,400	184,500	1,980,100	2.0%
2005	173,400	305,700	1,369,900	187,700	2,036,700	2.9%
2010*	212,000	339,300	1,486,500	205,000	2,242,800	10.1%
2015*	232,900	373,400	1,591,100	219,500	2,416,900	7.8%
2020*	252,900	406,900	1,707,600	236,400	2,603,800	7.7%

*Projected Source: California Department of Finance

During the 1994 to 2004 decade, the population in Placer County grew by 46%, Yolo by 23%, Sacramento by 20%, and El Dorado by 19%. The four-county region experienced a 23% increase in population over this period.

New Home Sales

A total of 2,404 new homes were sold during First Quarter 2006 in the six-county Sacramento Region. This represents a 3% decrease compared to a year ago, when 2,483 units sold during First Quarter 2005; and a 2.6% increase from last quarter. Pricing has increased from an average sale price of $486,264 in First Quarter 2005 to $496,305 in First Quarter 2006, an increase of 2.1%. The average new home price rose slightly from $489,329 in Fourth Quarter 2005 (+1.4%). New home sales activity for 2004 and 2005 for the six counties are detailed in the following table.

NEW HOME SALES

County	2004	2005	% Change
Sacramento	9,385	7,718	-18.0%
El Dorado	1,055	580	-45.0%
Placer	3,309	2,609	-21.2%
Yolo	1,391	1,136	-18.3%
Yuba	1,391	1,249	-10.2%
Sutter	624	802	+28.5%
6-County Region	**17,155**	**14,094**	**-17.8%**

Source: The Gregory Group

The table on the previous page indicates the number of new home sales fell sharply in 2005 in almost all areas of the Sacramento Region. The only county to see an increase in sales volume was Sutter County. El Dorado County experienced the sharpest decline, with a 45% reduction in new home sales.

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

AVERAGE NEW HOME PRICE

County	1st Qtr. 2006	% Change Last Year	% Change Last Qtr.
Sacramento	$466,442	0.4%	1.5%
El Dorado	$729,943	6.6%	12.0%
Placer	$543,442	-2.1%	-5.8%
Yolo	$541,257	-0.6%	3.0%
Yuba	$380,957	0.0%	14.2%
Sutter	$337,384	-2.5%	0.9%
6-County Region	**$496,305**	**1.4%**	**2.1%**

Source: The Gregory Group

The table above indicates new home sale prices were fairly flat overall in the region compared to a year ago, with El Dorado County showing a moderate increase, Placer and Sutter Counties showing slight decreases, and most other areas showing little change. The market did show slight improvement compared to Fourth Quarter 2005, with the exception of Placer County. According to the Gregory Group, "The housing market has entered a transition period, moving from an unsustainable rate of price increases and sales to more normal, and sustainable, market conditions." Most market participants view the market as stabilizing, rather than falling. Sales velocity and pricing are slowing, but demand remains strong.

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

NEW HOME TRENDS, SIX-COUNTY REGION

Category	3rd Qtr. 2004	4th Qtr. 2004	1st Qtr. 2005	2nd Qtr. 2005	3rd Qtr. 2005	4th Qtr. 2005	1st Qtr. 2006
Avg. Price	$460,734	$471,987	$486,264	$492,498	$492,985	$489,329	$496,305
Median Price	$444,990	$459,990	$455,945	$459,990	$457,950	$456,619	$465,726
Avg. Home Size	2,541	2,506	2,483	2,427	2,360	2,343	2,404
Avg. Price/SF	N/A	$193.37	$200.55	$208.67	$215.72	$215.97	$213.02
Number of Sales	3,455	3,621	4,812	4,143	3,590	1,549	2,063
Weekly Sales Rate	1.20	1.28	1.50	1.26	1.08	0.45	0.59
Unsold Inventory	1,221	1,460	982	1,687	2,404	3,299	3,780
Weeks of Inventory	3	4	3	4	6	10	12

Source: The Gregory Group

The table above shows rapid increases in unsold inventory over the past four quarters. Unsold inventory in the region increased 126% in the year 2005. Most homebuilders are now offering significant incentives to prospective buyers. These incentives include items such as cash contributions toward down payments and closing costs, payoff of Mello-Roos taxes, swimming pools, home upgrades, cars and vacations. Many builders are offering incentives to avoid lowering their base home prices in the face of falling demand.

Developer Market Share

Based on year 2005 home sales, the five most active homebuilders in the Sacramento region were Beazer Homes (1,025 sales in 2005), KB Homes (942), D.R. Horton Inc. (940), Centex Homes (640) and US Home (550). The top five builders combined for about 29% of the local market share in 2005.

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

Attached Housing Market

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

Developers have quickly responded to this trend, constructing new condos and high-density housing, or converting apartments to condominiums. In 2003, Esplanade in Folsom was the first new condo project in the region in several years. In the past two years, many more condos have been constructed or converted, and even more are in the planning pipeline. According to a mid-2005 article in The Sacramento Bee, there are about 12,500 attached for-sale homes in the planning process in the six-county region, including both new construction and apartment conversions.

According to The Gregory Group, there were 842 sales of attached homes in 2004 and 2,187 sales in 2005, marking an increase of 160%. Further, attached homes represented 5.0% of all new home sales in 2004, but 15.5% in 2005. As of First Quarter 2006, there were 41 active developments offering attached units in the Sacramento Region. In addition, several projects are proposed for the coming years. In Downtown Sacramento, Saca Development is developing two 53-story towers at Capitol Mall and 3rd Street. The Towers will include over 700 condos, plus a gym, spa, boutique hotel, parking, retail and restaurants. Regis Homes is building the Capitol Lofts, which will include 123 lofts, 65 single-family homes and 16 rental units in the Triangle area of West Sacramento.

Conclusion

The demand for new housing in the Sacramento Region, as evidenced by sales activity, generally improved each year from 1995 through 2004, with the exception of 2001 when a slight decrease was seen due to a slowing national economy. The Fourth Quarter 2001 marked the beginning of renewed growth. The years 2002, 2003 and 2004 represented record years for the Sacramento housing market. Local experts attribute gains in sales activity and home prices to historically low interest rates, coupled with pent-up demand for housing created by robust job growth around the turn of the century. Further, buyers have been drawn from other parts of the state and nation to the Sacramento Region for its established infrastructure, stable employment base, variety of housing products, healthy local economy and good climate.

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

The year 2005 marked a turning point in the local housing market. For the first time in several years, the number of new home sales dropped significantly compared to the previous year. Fourth Quarter 2005 showed particularly striking results, with a 57% decline in the number of new homes sold compared to Fourth Quarter 2004. The market appears to be in a stage of transition, with supply and demand more in balance. However, First Quarter 2006 provided better than expected results, with increases in both the number of sales and the average sale price compared to Fourth Quarter 2005.

The general consensus among local housing experts is that the Sacramento housing market will continue to see healthy sales activity and level to moderate price increases in 2006. Greg Paquin of The Gregory Group expects a “soft landing” for the market, with fairly steady sales in 2006 of about 14,000 units. The days of double-digit annual price increases appear to be over for the time being in most areas of the region. Overall, the market is expected to stabilize to more sustainable rates of growth.

RETAIL MARKET OVERVIEW

Introduction

First Quarter 2006 represented another solid quarter for the retail market in the Sacramento region. The overall vacancy rate was 4.5%, compared to 4.7% in Fourth Quarter 2005 and 4.5% in Third Quarter 2005. Lease rates were stable to rising in most submarkets, with asking lease rates for in-line space in high-growth areas averaging \$2.65 to \$3.25 per square foot per month, triple net. Net absorption was positive for the 11^{th} consecutive quarter, with over 400,000 square feet of retail space absorbed during the first quarter. Absorption was strongest in the communities of West Sacramento and Folsom/El Dorado Hills. The submarkets seeing most of the region’s new construction activity are Roseville/Rocklin, Natomas and Laguna/Elk Grove. These areas have seen significant residential growth in recent years, which has triggered demand for supporting retail uses.

The past year has been very strong for the Sacramento retail market. The region continues to attract local, regional and national retailers. IKEA opened its West Sacramento store in March, and R.C. Willey should open its home furnishings store in Rocklin in the summer. In addition, several retailers established in the area are expanding, including Beck’s Furniture and California Family Fitness. In contrast, in the first quarter Ralphs closed all eight of its Sacramento area grocery stores because they have not been profitable. These closures have led to about 375,000 square feet of vacant anchor space coming on the market for sale or lease. Overall, the Sacramento retail market is expected to experience steady growth for the near term, particularly in South Placer County, Elk Grove/Laguna, Natomas and Folsom/El Dorado Hills.

Lease Rates

Lease rates were stable to slightly rising for most product types during the First Quarter of 2006. Asking lease rates for in-line space in high-growth areas is averaging \$2.65 to \$3.25 psf/month (triple net) during the quarter. The high-growth areas are Roseville, Elk Grove, Folsom and North Natomas. In some new shopping centers in these areas, in-line space is now garnering up to \$3.50 psf/month. It is anticipated retail lease rates will continue to rise in 2006.

Vacancy

The overall retail market vacancy rate in the Sacramento Region as of First Quarter 2006 was 4.5%, compared to 4.7% in Fourth Quarter 2005 and 4.5% in Third Quarter 2005. The market vacancy rate has been below 5% since First Quarter 2004, and reached a low of 4.1% in Second Quarter 2005. The Laguna/Elk Grove submarket has the lowest vacancy rate in the region at 0.5%. Eleven of the region's 15 submarkets posted vacancy rates under 5% for the quarter. Developers have responded to these low vacancy rates, with new construction planned or under way in most of these areas.

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

Submarket	3Q 2005 Vacancy	4Q 2005 Vacancy	1Q 2006 Vacancy
Laguna/Elk Grove	0.5%	0.5%	0.5%
Auburn/Loomis	1.8%	1.8%	0.7%
West Sacramento/Davis	1.7%	2.0%	0.9%
South Natomas	1.9%	1.2%	1.2%
Northgate/Natomas	1.7%	1.7%	1.7%
Arden/Watt/Howe	2.7%	2.6%	2.7%
Folsom/El Dorado Hills	1.1%	1.9%	2.8%
Greenhaven/Pocket	3.2%	3.2%	3.2%
Roseville/Rocklin	3.1%	3.2%	3.6%
South Sacramento	4.0%	4.1%	3.9%
Carmichael	4.2%	6.1%	5.6%
Citrus Heights/Fair Oaks	8.0%	8.6%	7.6%
North Highlands	8.1%	8.6%	8.2%
Hwy 50/Rancho Cordova	15.7%	15.0%	15.3%
Downtown/Midtown/East Sac	17.0%	16.6%	N/A
Market Total	**4.5%**	**4.7%**	**4.5%**

Source: CB Richard Ellis

This recent survey demonstrates most submarkets are performing very well, with over two-thirds of the submarkets exhibiting vacancy rates below 5%. It should be noted the above rates include retail properties over 50,000 square feet and exclude regional malls.

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

Property Type	3Q 2005 Vacancy	4Q 2005 Vacancy	1Q 2006 Vacancy
Power Centers	1.8%	1.8%	1.6%
Community Centers	2.8%	3.0%	2.8%
Specialty Centers	3.3%	3.3%	3.1%
Freestanding Buildings	6.3%	7.0%	6.5%
Neighborhood Centers	6.8%	7.0%	7.1%
Strip Centers	13.5%	13.3%	3.7%
Market Total	**4.5%**	**4.7%**	**4.5%**

Source: CB Richard Ellis

Absorption

Net absorption for the retail market in the Sacramento area was positive 400,336 during First Quarter 2006, compared to positive 208,303 square feet during the previous quarter. This represents the 11th consecutive quarter of positive absorption in the region. Total absorption for the year 2005 was 713,559 square feet, which represents a marked decrease from 2004's figure of 2.1 million square feet.

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

Submarket	Year 2005 Net Absorption (SF)	1Q 2006 Net Absorption (SF)
Laguna/Elk Grove	440,420	(291)
Roseville/Rocklin	200,074	(20,171)
Auburn/Loomis	104,393	13,261
West Sacramento/Davis	76,491	273,826
Citrus Heights/Fair Oaks	47,007	30,026
Northgate/Natomas	30,185	0
South Natomas	25,292	0
South Sacramento	(744)	10,658
Arden/Watt/Howe	(2,202)	(2,888)
Greenhaven/Pocket	(2,567)	0
Folsom/El Dorado Hills	(30,156)	91,893
Hwy 50/Rancho Cordova/Rosemont	(30,525)	(9,397)
Carmichael	(33,480)	5,567
North Highlands	(47,085)	7,852
Downtown/Midtown/East Sac	(63,544)	N/A
Market Total	**713,559**	**400,336**

Source: CB Richard Ellis

The table above shows that 2005 was a mixed year. Seven submarkets had positive absorption, while eight had negative. The data also show that Roseville/Rocklin, Lincoln (included in the Auburn/Loomis submarket) and Laguna/Elk Grove carried the market, with net absorption of 744,887 SF in these submarkets.

In the first quarter of this year, the submarkets achieving the strongest absorption were West Sacramento and Folsom/El Dorado Hills. This was due mainly to the completion of the IKEA home furnishings store in West Sacramento, and a 122,997 square foot Raley's-anchored neighborhood center in Folsom.

New Construction

Projects completed during First Quarter 2006 include: IKEA's 265,000 square foot store in West Sacramento, and a 122,997 square foot Raley's-anchored neighborhood center in Folsom. The retail projects currently under construction in the region total over 2.8 million square feet of space. Roseville/ Rocklin has the largest share of this figure, with 1.3 million square feet under way. Following Roseville/Rocklin are Northgate/Natomas (733,000 SF), Laguna/Elk Grove (595,000 SF) and Auburn/Loomis, which includes the city of Lincoln (186,000 SF).

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

Project	Retail SF	Description	Status
The Promenade at Sacramento Gateway, Natomas	663,000	Anchored by Target, Sam's Club, Barnes & Noble, Old Navy, Best Buy	Under construction (some stores already open)
Riverpointe Center West Sacramento	700,000	Anchored by IKEA, Home Depot, possibly Wal-Mart	Under construction (IKEA already open)
Blue Oaks Town Center Rocklin	600,000	Anchored by R.C. Willey, Orchard Supply Hardware, Mervyn's, Petco	Under construction Delivery mid-2006
Lincoln Crossing Marketplace Lincoln	368,615	Target, Staples, PetsMart, Hampton Inn, Old Navy, Ross, TJ Maxx	Under construction (Home Depot already open)
The Fountains Roseville	350,000	Lifestyle center; anchored by Whole Foods Market, Z Gallerie, Anthropologie	Approved Delivery spring 2007
Roseville Crossing Roseville	176,000	Anchored by La-Z-Boy, Ethan Allen	Under construction Delivery late 2006
Palladio at Broadstone Folsom	930,000	Lifestyle center; retail, offices, 16-screen theater	Approved
Woodland Gateway Center Woodland	525,000	Anchored by Costco, Target	Near approval Construction late 2006
The Landing at Bradshaw Rancho Cordova	400,000	Big box stores, theaters, restaurants, shops	Near approval Delivery late 2007
Galleria Mall Expansion Roseville	450,000	Stores, restaurants and parking	Planning
Rocklin Crossings Rocklin	534,500	Regional center on Interstate 80 corridor	Planning
Capital Village Town Center Rancho Cordova	270,000	Anchored by Lowe's	Planning
Elk Grove Promenade Elk Grove	1.3 million + 2 million satellite	Regional open-air town center; four department stores, 16 to 18 movie screens, entertainment	Planning
Power center Folsom	1 million	3,500 acres in planned annexation area south of Highway 50	Early planning
Union Pacific Railyards Sacramento	1.37 million	Major redevelopment project with retail, office and residential uses	Early planning

Historical Trends

A table exhibiting historical retail market statistics in the Sacramento region is presented below.

Year	Vacancy Rate	SF Net Absorption	Average Lease Rates (/SF/Mo.)
1996	11.7%	N/A	\$0.80 - \$2.35
1997	10.1%	509,545	\$0.90 - \$2.15
1998	7.1%	532,171	\$1.00 - \$1.76
1999	6.5%	944,840	\$1.00 - \$2.13
2000	6.0%	1.1 million	\$1.00 - \$2.28
2001	5.8%	1.4 million	\$1.00 - \$2.50
2002	6.9%	402,374	\$1.40 - \$2.60
2003	5.6%	522,534	\$1.40 - \$2.60
2004	4.5%	2.1 million	\$1.40 - \$2.60
2005	4.4%	713,559	\$1.40 - \$2.60

Source: CB Richard Ellis and Grubb & Ellis

Forecast

The Sacramento area retail market is expected to remain strong over the next couple years. The growth areas of Roseville/Rocklin, Folsom, North Natomas and Elk Grove are expected to continue to lead the market in terms of new construction and absorption. Future growth areas are expected to be Lincoln, southern Rancho Cordova, southern Sutter County, West Roseville, the Interstate 80 corridor between Rocklin and Loomis, and the Highway 50 corridor east of El Dorado Hills.

Vacancy rates are expected to remain healthy, but could increase slightly due to new construction projects coming online in 2006. Demand for retail development should remain high as the area's housing market continues to expand. Retail lease rates and sale prices are expected to rise in the coming year.

National retailers are expected to continue to enter the Sacramento market. In early 2006, IKEA became the first tenant in the Riverpointe Marketplace in West Sacramento, a 700,000-square foot development that will reportedly also include Wal-Mart and The Home Depot. The Promenade at Sacramento Gateway in Natomas, with 663,000 square feet, will become the area's largest non-mall retail development.

One challenge in the near term will be caused by Ralphs' recent closure of all eight of its Sacramento area stores. The stores are listed for sale and lease, totaling about 375,000 square feet. Market participants speculate that the stores could be used by other grocery stores, most likely smaller specialty stores like Nugget, Trader Joe's or Whole Foods; or could be converted for other uses like gyms, furniture stores or discount stores. Until the Ralphs stores have new tenants, the smaller tenants in those shopping centers will likely be adversely affected due to reduced traffic.

In the coming years, market participants expect to see more "lifestyle centers" built or proposed in the Sacramento region. These open, pedestrian-oriented centers focus on outdoor gathering places. Two such projects are already proposed, including The Fountains in Roseville and Palladio at Broadstone in Folsom.

OFFICE MARKET OVERVIEW

Introduction

During First Quarter 2006, the office market in the Sacramento region was not as strong as in the previous quarter, but remained healthy overall. The average market vacancy rate rose to 13.35% from 12.6% in Fourth Quarter 2005. Net absorption was positive at 30,014 square feet, with most new absorption taking place in the submarkets of Roseville/Rocklin, Folsom and Elk Grove. Although net absorption was lower than what has been seen in recent quarters, it was still positive and has been positive for eight consecutive quarters.

Net absorption of office space in the year 2005 was the highest since the year 2000. However, the increased absorption has not had a significant effect on vacancy figures due to the large amount of new product that continues to come online. CB Richard Ellis reported increases in both the number and size of office transactions in 2005 compared to the year 2004. Overall, investors see a strong long-term outlook for the Sacramento office market, particularly in the growth area of Roseville.

Lease Rates

Lease rates in the region were generally stable in First Quarter 2006. The average asking lease rate in the region has slowly inched upward over the past several quarters, and now stands at $1.73 per square foot per month (full service). Class-A product is averaging $2.39 psf/month. The submarkets achieving the highest rents are Downtown ($2.25 overall and $2.85 Class-A), Roseville/Rocklin ($2.10 overall and $2.40 Class-A) and Elk Grove ($2.10 overall and $2.40 Class-A). The submarkets of South Natomas and Northgate/Natomas realized slight increases in Class-A rates during First Quarter 2006. Rents are expected to be stable to rising in the next 12 months.

Vacancy

Office vacancy rates in the Sacramento Area reached a low in the year 2000, and steadily increased through the year 2004. Fourth Quarter 2004 represented the first decline in vacancy in recent years. This decline continued in each quarter of 2005, starting in the first quarter at 13.7% and ending the year at 12.6% in the fourth quarter. The vacancy rate increased slightly in First Quarter 2006 to 13.35%.

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

Submarket	3Q 2005 Vacancy	4Q 2005 Vacancy	1Q 2006 Vacancy
Carmichael/Fair Oaks	4.8%	5.1%	4.1%
Campus Commons	7.6%	6.4%	7.4%
Watt Avenue	7.0%	7.8%	7.5%
Citrus Heights/Orangevale	8.5%	8.5%	8.6%
Midtown	14.4%	10.4%	10.4%
Point West	6.8%	9.5%	11.8%
Roseville/Rocklin	11.0%	12.7%	12.3%
Folsom	13.5%	13.5%	12.4%
Downtown	13.1%	12.9%	13.3%
South Sacramento	13.0%	13.5%	13.4%
Howe/Fulton	10.1%	13.7%	13.5%
Highway 50 Corridor	12.8%	13.0%	14.1%
Northgate/Natomas	26.0%	11.1%	16.5%
South Natomas	14.4%	16.2%	16.6%
West Sacramento	22.3%	17.3%	17.8%
Elk Grove	17.0%	18.3%	25.5%
East Sacramento	6.8%	34.3%	34.0%
Market Total	**12.8%**	**12.6%**	**13.35%**

Source: CB Richard Ellis

Most submarkets saw flat to rising vacancy in First Quarter 2006 compared to Fourth Quarter 2005. A couple of areas showed improvement, including Carmichael/Fair Oaks and Folsom. The submarkets experiencing the lowest vacancy rates are the relatively established suburban areas of Carmichael/Fair Oaks, Campus Commons, Watt Avenue and Citrus Heights/Orangevale. West Sacramento, Elk Grove and Natomas continue to post some of the highest vacancy rates in the market, due to significant new construction coming online in recent months. It is noted East Sacramento has the highest vacancy rate in the region; however, it is also the smallest submarket in the region in terms of office inventory, and the vacancy rate can be heavily skewed by just one building.

It should be noted the above rates include single- and multi-tenant office buildings, as well as office space for buildings located within industrial parks. Government-owned and medical buildings are not included in the survey. Additionally, the above statistics do not include office buildings with fewer than 10,000 square feet. In general, smaller properties with good quality improvements typically experience vacancy rates under 10%.

The following table summarizes vacancy rates in the Sacramento region by class of office product.

Office Product	1Q 2006 Vacancy
Class A	16.1%
Class B	13.8%
Class C	10.9%

Source: Colliers International

Absorption

Net absorption for the office building market in the Sacramento Area was 30,014 square feet during First Quarter 2006, down from 231,024 square feet during Fourth Quarter 2005. This represents the eighth consecutive quarter of positive net absorption in the region.

For the year 2005, net absorption in the region was 1,372,310 square feet, which was the highest level seen since the year 2000. In 2004, the region's net absorption was just 291,027 square feet.

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

Submarket	Year 2005 Net Absorption (SF)	1Q 2006 Net Absorption (SF)
Roseville/Rocklin	471,398	108,639
Northgate/Natomas	248,461	(88,813)
Highway 50 Corridor	202,771	8,075
West Sacramento	196,792	(5,833)
Midtown	109,900	(3,405)
Folsom	84,545	99,161
Elk Grove	58,467	48,510
South Natomas	55,762	(9,496)
Watt Avenue	31,251	(3,341)
Campus Commons	18,140	(15,164)
Point West	16,925	(51,483)
Carmichael/Fair Oaks	9,170	(9,054)
South Sacramento	6,916	1,584
Citrus Heights/Orangevale	(13,498)	(995)
Downtown	(10,292)	(51,794)
Howe/Fulton	(34,398)	2,660
East Sacramento	(80,000)	763
Market Total	**1,372,310**	**30,014**

Source: CB Richard Ellis

In First Quarter 2006, only three submarkets showed significant positive absorption – Roseville/ Rocklin, Folsom and Elk Grove. For the year 2005, Roseville/Rocklin led the region with 471,398 square feet of net absorption. The Roseville/Rocklin submarket is increasingly becoming a hub for office development in the region. In 2005, the Roseville/Rocklin submarket represented only about 10% of the region's office inventory, but accounted for about 35% of office absorption during the year. The Roseville/Rocklin area leased almost twice the amount of office space in 2005 than the next-strongest submarket in the region.

New Construction

During First Quarter 2006, 16 new office buildings were completed, adding 548,790 square feet to the region's inventory. Notable completions included a 200,000 SF building for Golden One Credit Union on Cal Center Drive in the Highway 50 Corridor; and four buildings totaling 104,000 SF in Elk Grove.

There are currently 35 office projects under construction in the region, totaling nearly 1.4 million square feet of space. Most of this construction activity is occurring in Roseville/Rocklin (764,000 SF), Downtown (342,000 SF), and Folsom (155,000 SF). Some buildings are also under construction in Elk Grove, Campus Commons, Northgate/Natomas, and Highway 50 Corridor.

As discussed above, the Roseville/Rocklin submarket represents the most active segment of the Sacramento office market. Over half of the office space currently under construction in the region is located in Roseville/Rocklin. Many experts attribute this activity to executives wanting to locate their companies near their homes in South Placer County. Market participants envision Roseville becoming a suburban hub for offices much like Walnut Creek in the Bay Area. Currently, Mourier Land Investment Corp. is constructing four office buildings in Highland Pointe at Pleasant Grove Boulevard and Highway 65. When completed in 2008 or 2009, the complex will add 368,000 square feet to the area's office inventory, and three of the buildings will be four stories in height. The Stone Point Corporate Center will include 400,000 square feet of office space in six buildings at Eureka Road and Rocky Ridge Drive; three of these buildings will become Roseville's tallest office buildings with five stories. Just west of the Galleria Mall, Shea Properties is constructing 11 office buildings along Highway 65; when complete, the Shea Center will contain 575,000 square feet of space. In Rocklin, the Rocklin Corporate Center is being developed on 125 acres adjacent to the Atherton Center.

Elk Grove is another hot spot for new office buildings. Construction has begun on Laguna Pointe, which will eventually include 200,000 square feet of office space and a Hilton Garden Inn hotel along Highway 99. Three office buildings totaling 100,000 square feet are being built on West Taron Drive near Interstate 5 and Elk Grove Boulevard. Phase two of Laguna Springs Corporate Center along Highway 99 will add three more office buildings to the two existing ones in the center.

The North Natomas area is also continuing to see new office development. Developer Abe Alizadeh plans a 300,000 square foot office park that is expected to be one of Natomas' more upscale office developments. Developer Sammy Cemo proposes a 50,000 square foot office project east of Arco Arena. A small-building office park is proposed west of Arco Arena. The Interstate 5 corridor in North Natomas could see significant new construction of offices in the coming years. In the near future, The Offices at Duckhorn is planned, which will include 10 buildings with over 100,000 square feet of space. Catholic Healthcare West will be an anchor tenant at the project, located along the west side of Interstate 5 between Arena Boulevard and Del Paso Road.

Sales Activity

The following table summarizes office sale data in the Sacramento region for the past several years.

Year	Average Sale Price	Average Price per SF	Average Cap Rate
2000	$2,198,905	$109.95	9.46%
2001	$2,550,653	$117.24	9.40%
2002	$2,368,664	$122.41	9.17%
2003	$4,224,815	$150.36	8.50%
2004	$3,671,751	$155.65	7.66%
1st half 05	$4,933,588	$173.09	7.21%

Source: Colliers International

The statistics above show a clear upward trend in sale prices per square foot and a downward trend in overall capitalization rates. Many brokers in the area report a large pool of potential buyers for the few quality office investments that become available, which continues to drive up prices.

Employment Conditions

Employment conditions in the Sacramento Area remained strong during First Quarter 2006. The overall unemployment rate in the region was 4.8% in February 2006, down from 5.4% a year ago and slightly up from 4.7% in the previous quarter. The region still has lower unemployment compared to the state, which had an unemployment rate of 5.4% during the first quarter. During the past year, job growth in the Sacramento area was about 3.2%, with about 27,700 net jobs added to the region. Most new jobs have been added in construction, professional and business services, and retail trade.

Historical Trends

A table exhibiting historical office statistics for the Sacramento MSA is presented below.

Year	Vacancy Rate	Absorption (SF)	Average Lease Rates (/SF/Mo.)	Total Inventory (SF)
1990	13.3%	3,000,000	$1.10 - $2.50	30,000,000
1991	13.0%	1,800,000	$1.00 - $2.50	32,000,000
1992	16.3%	1,600,000	$0.75 - $2.65	33,500,000
1993	16.0%	750,000	$0.85 - $2.40	33,448,000
1994	12.5%	739,132	$0.85 - $2.40	33,178,000
1995	12.3%	1,053,918	$0.90 - $2.40	33,636,714
1996	9.8%	531,914	$0.85 - $2.40	33,949,837
1997	9.5%	540,458	$0.85 - $2.60	34,359,435
1998	8.3%	805,951	$1.00 - $2.60	33,493,847
1999	7.9%	2,589,228	$1.18 - $2.05	36,170,683
2000	5.9%	2,650,077	$1.35 - $2.25	38,241,913
2001	7.5%	131,263	$1.35 - $2.30	40,148,489
2002	10.1%	474,137	$1.35 - $2.30	41,539,830
2003	12.7%	277,007	$1.35 - $2.25	43,021,484
2004	13.9%	291,027	$1.35 - $2.25	44,074,260
2005	13.0%	1,372,310	$1.35 - $2.25	46,566,866

Source: CB Richard Ellis and Grubb & Ellis

Forecast – Next 12 months

Over the course of the next year, it is expected the Roseville/Rocklin submarket will continue to lead the Sacramento office market in terms of new construction and absorption of space. Other areas that will see completion of new office buildings include Downtown, Folsom, Campus Commons, Elk Grove, Highway 50 Corridor and Natomas.

Market participants expect continued strength in the Sacramento office market in the coming months as private employment sectors shift into growth mode, led by gains in professional and business services. Health care companies are also expected to expand this year, particularly in the growing suburban areas. Significant job cuts in State government have ceased at least for the time being. However, some government agencies may still be consolidating locations, which could impact office vacancy in the market in the short term.

Investment activity is forecasted to remain strong, and sale prices should continue to increase in 2006. Lease rates are expected to be stable to rising in most submarkets. Net absorption should continue to be positive. No significant changes are forecasted in the overall market vacancy rate during the next year, although vacancy rates could inch upward in those submarkets with significant new construction.

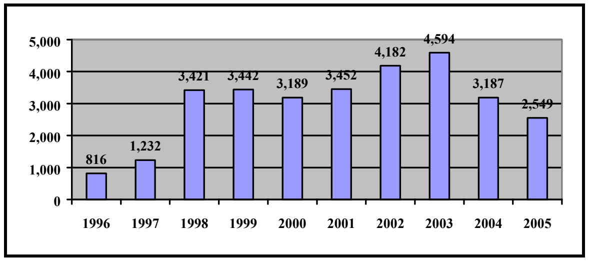
APARTMENT MARKET OVERVIEW

Introduction

Generally speaking, the Sacramento apartment market is stable and sale prices have been increasing for the past few years. Rental rates have been stable to slightly rising in most submarkets. The market was very strong in the late 1990s and early part of this decade due to rising population and income levels in the region. In response to rising demand, there has been significant construction of new apartment projects in recent years, most notably in the growth areas of Roseville, Rocklin, Folsom and Elk Grove. Many of these new projects represent Class-A properties with relatively high rental rates. As a result of the new construction, some of these areas saw climbing vacancy rates in 2003 and 2004, and there was some softening in the apartment market during this time frame. According to market surveys, the average apartment vacancy rate in the Sacramento region reached a low of 2.0% in the year 2000, and climbed steadily through the year 2004 to a peak of 7.7%. Vacancy rates fell through the first three quarters of 2005, and have risen slightly since then. As of first quarter 2006, the average market vacancy was 7.3%.

New Construction

A significant amount of new construction has been completed in recent years. The following table indicates the number of multifamily (5+ units) permits issued over the past decade in the six-county Sacramento Region (Sacramento, El Dorado, Placer, Yolo, Yuba and Sutter Counties).

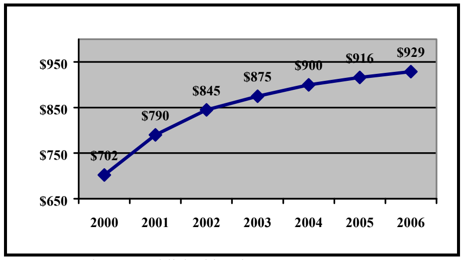


Source: U.S. Census SOCDS Building Permits Database

Various research organizations estimate 4,000 to 5,000 new apartment units came online in 2004, while fewer than 3,000 entered the market in 2005. A further decline is expected in 2006. This trend reflects the fact that many multifamily developers have shifted gears from apartments to for-sale condominiums, driven by increasing construction costs, rising home prices and a growing population. In the last two years, many existing apartment projects have been converted to condominiums, and the Sacramento market has seen thousands of new condo units constructed or proposed. CB Richard Ellis estimates 2,171 apartment units were converted to condos in the Sacramento region in 2004 and 2005, with another 780 planned for conversion in 2006. In addition, CB reports about half of the new attached product now being built in the region is for-sale condominiums. This in effect reduces the supply of apartment units, which could lead to declining vacancy and rising rents.

Rental Rates

Rental rates have, on average, continuously risen in the region for over seven consecutive years. The following chart indicates the average rental rate for units of all sizes in the Sacramento region in recent years, as of the first quarter of each year.



Source: RealFacts, published in The Sacramento Bee

The average rent for an apartment unit in the Sacramento region was $929 in First Quarter 2006, up just $3 from last quarter and $13 from a year ago (an increase of 1.4%). Apartment rents are expected to be stable to slightly rising in the Sacramento region throughout 2006.

Starting around 2003 and continuing to date, the market for class-A projects has seen increasing concessions to lure renters into these relatively high-priced units. Concessions primarily include free or reduced rent for an initial period after move-in with a signed lease, and can also include free appliances or other items. While rent concessions remained commonplace in 2005 in order to entice renters into upscale apartment projects in high-growth areas like Elk Grove, Folsom, Roseville and Rocklin, these concessions are not as significant as they were in 2003 and 2004.

The following table shows the average rent per unit for several submarkets within the Sacramento area, based on surveys by RealFacts, an apartment industry research firm.

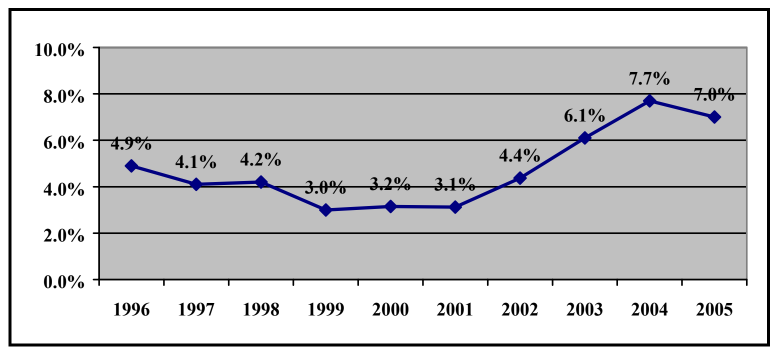
Submarket	1st Qtr. 2006 Avg. Rent	% Change Past Year
Davis	$1,233	1.4%
Folsom	$1,123	3.3%
Roseville	$1,061	2.6%
Elk Grove	$1,051	-4.6%
Rocklin	$1,029	-1.2%
Fair Oaks	$899	1.1%
Sacramento	$885	1.5%
Rancho Cordova	$803	3.5%
Carmichael	$769	0.9%
West Sacramento	$665	-4.9%
Market Total	**$929**	**1.4%**

Source: RealFacts, published in The Sacramento Bee

As shown in the table above, rental rates in most areas were slightly higher in First Quarter 2006 compared to a year ago. The submarkets of Rancho Cordova and Folsom saw the greatest annual increases at 3.5% and 3.3%, respectively. West Sacramento, Elk Grove and Rocklin experienced decreases in average rent.

Vacancy

Presented in the following chart are average apartment vacancy rates in the Sacramento market for the past decade.



Source: CB Richard Ellis (1996-1999), RealFacts (2000-2005)

During the year 2005, the average market vacancy was 7.9% in the first quarter, then fell to 6.7% in the second quarter and 6.1% in the third quarter, then rose to 7.1% in the fourth quarter. So far in 2006, vacancy has continued to increase, with an average market rate of 7.3% in the first quarter. These statistics are reported by RealFacts.

Historically speaking, apartment owners are enjoying reasonably low vacancy rates. From 1993 through 2000, Sacramento experienced declining vacancy rates, with increases in 2001 through 2004. After peaking in the mid- to high-7% range in 2004, the region's average vacancy rate fell through the first three quarters of 2005, then ticked up again in the fourth quarter. The decline in vacancy in early to mid-2005 was attributed to the region's dramatic price increases in the housing market in recent years, which priced many people out of home-buying; as well as a slowdown in the construction of new apartments.

The following table shows average vacancy rates for submarkets within the Sacramento area, based on surveys by RealFacts.

Submarket	2nd Qtr. 2005 Vacancy	3rd Qtr. 2005 Vacancy	4th Qtr. 2005 Vacancy	1st Qtr. 2006 Vacancy
Elk Grove	3.7%	7.9%	10.9%	10.6%
Rocklin	8.1%	5.2%	7.5%	8.2%
Sacramento	7.4%	6.5%	8.0%	7.4%
Roseville	4.7%	4.3%	4.6%	7.1%
Citrus Heights	5.4%	6.1%	6.6%	N/A
Carmichael	5.1%	6.9%	5.9%	6.4%
Rancho Cordova	5.0%	5.6%	6.9%	6.3%
West Sacramento	N/A	N/A	N/A	5.6%
Folsom	6.8%	3.6%	3.8%	5.3%
Davis	5.2%	5.6%	4.7%	4.8%
Fair Oaks	5.4%	3.2%	3.5%	3.5%
Market Total	**6.7%**	**6.1%**	**7.1%**	**7.3%**

Source: RealFacts, published in The Sacramento Bee

In 2003 and 2004, the areas with the highest vacancy were generally those that had large supply increases in the way of new construction, including Elk Grove, Folsom, Roseville and Rocklin. As shown in the table above, Folsom now has one of the lowest vacancy rates in the region. Elk Grove, Rocklin and Roseville had higher than average vacancy in the first quarter of 2006.

Sales Activity

The Sacramento apartment market has experienced strong sales activity and appreciation in sale prices over the past several years, even during the period of rising vacancy rates from 2001 through 2004. According to Grubb & Ellis, the average price per unit doubled between 2000 and 2004. In 2004, the average sale price per unit in the Sacramento region was about $89,750, which represents an increase of 11% over the previous year. The average price increased about 20% in 2003. Several local properties have sold and are currently being marketed at prices well over $100,000 per unit. The increase in sale prices can be attributed to historically low interest rates as well as confidence in the long-term fundamentals of the Sacramento market.

Overall capitalization rates on apartment sales have steadily fallen over the last few years. This trend can be tied to low interest rates, as well as an increase in the number of Section 1031 exchanges taking place in the market. Based on information from several apartment brokers and local sale data, the average overall cap rate for apartments in the Sacramento region was around 8.0% in 2002, fell to the mid-7% range in 2003, about 6% in 2004, and between 5-6% in 2005.

Conclusion

The Sacramento area apartment market is stable by most accounts. Vacancy rates rose in the market between 2001 and 2004, declined in the first three quarters of 2005, and have ticked slightly upward in the past two quarters. Rental rates have remained fairly steady, with an average increase of 1.4% in the past year. Although rental rates have not changed significantly, cap rates have continued to fall and sale prices have continued to increase.

Most market participants expect the Sacramento apartment market to remain strong in the coming year as new construction subsides and developers continue to focus on for-sale condominiums. Investor confidence in the region remains very strong. The region has strong long-term fundamentals and growth is forecasted in both population and employment in the next 12 months. Another trend beneficial to the apartment market is the continuing decline in housing affordability. As the economy improves, interest rates are expected to rise, which means more residents will be priced out of homeownership and forced to rent as a more affordable alternative.

PROPERTY IDENTIFICATION AND LEGAL DATA

Location

The subject property, which comprises certain land areas situated within the boundaries of the proposed Fiddyment Ranch Community Facilities District No. 1, is located west of Fiddyment Road, north and south of Blue Oaks Boulevard, within the city of Roseville, Placer County, California.

Assessor's Parcel Number(s)

The subject property is situated within the confines of several assessor's parcels identified as 017-100-009, -010, -049 through -062, -064 through -071, 017-115-001, -051, -062, -063, and -089 through -094.

Owner of Record

Title to the subject property is presently vested with Signature Properties (dba Roseville Fiddyment Land Venture, LLC and/or West Roseville Development Company), Shea Homes, Morrison Homes, Christopherson Homes, KB Homes and Lennar Corporation.

Property Taxes

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

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

The existing ad valorem taxes are of nominal consequence in this appraisal, primarily due to the fact these taxes will be adjusted substantially as the infrastructure and property improvements are completed. Additionally, the definition of market value employed in this appraisal assumes a sale of the appraised property. According to the Placer County Treasurer-Tax Collector's Office, the subject property is located in tax rate area 005-062, which has an annual tax rate of 1.0743% based on

assessed value. Additionally, the appraised property will be encumbered by the Fiddyment Ranch Community Facilities District (CFD) No. 1 bond district. With respect to special taxes, we have relied upon the Hearing Report, prepared by Economic and Planning Systems, Inc. (EPS), to determine the annual special tax levy on the subject property. The base year annual special taxes under the Fiddyment Ranch CFD No. 1 bond district are detailed below. It is noted the base year special taxes are slightly higher for Phases II and III relative to Phase I. The special taxes are subject to a 2% annual escalation factor.

	Phase I	Phases II and III
Proposed Land Use	Base Year Special Tax Per Lot/Unit/Acre	Base Year Special Tax Per Lot/Unit/Acre
LDR	$1,353 per lot	$1,366 per lot
MDR	$1,040 per lot	$1,051 per lot
MDR (Affordable)	N/Ap	$525 per lot
HDR	$520 per unit	$525 per unit
HDR (Affordable)	$260 per unit	$263 per unit
Commercial	$5,202 per acre	$5,254 per acre
Business Professional	$5,202 per acre	$5,254 per acre

Note: LDR - Low Density Residential, MDR - Medium Density Residential, HDR - High Density Residential

The financing provided through the Fiddyment Ranch CFD No. 1 bond district issuance is scheduled to fund certain portions of the public improvements to Fiddyment Road, Blue Oaks Boulevard, Hayden Parkway, Bob Doyle Drive, Phillip Road and other public roads. These improvements include—but are not limited to—drainage, water, joint trench utilities, concrete curbs, gutters and sidewalks, maintenance holes, street lighting, landscaping, masonry walls, traffic signals, transportation, wastewater, solid waste, parks, open space, utilities, and other miscellaneous improvements.

The subject property will also be encumbered by public and municipal services special taxes, identified as Fiddyment Ranch CFD Nos. 2 and 3, respectively. These CFDs will fund services, including open space improvements, landscape corridor maintenance, neighborhood park improvements, storm water management, and other miscellaneous services. However, unlike the public facilities bond (Fiddyment Ranch CFD No. 1), the public services CFDs are in perpetuity and cannot be paid off (i.e. no expiration for annual payment). The maximum annual special taxes under Fiddyment Ranch CFD Nos. 2 and 3 are detailed on the following page.

Proposed Land Use	Fiddyment Ranch CFD No. 2 - Public Services Base Year Special Tax Per Lot/Unit/Acre	Fiddyment Ranch CFD No. 3 - Municipal Services Base Year Special Tax Per Lot/Unit/Acre
LDR	$364 per lot	$293 per lot
MDR	$364 per lot	$293 per lot
MDR (Affordable)	$364 per lot	$293 per lot
HDR	$107 per unit	$196 per unit
HDR (Affordable)	$53 per unit	$196 per unit
Commercial	$551 per acre	$1,604 per acre
Business Professional	$771 per acre	$1,370 per acre

Note: LDR - Low Density Residential, MDR - Medium Density Residential, HDR - High Density Residential

The Fiddyment Ranch CFD Nos. 2 and 3 special taxes are subject to a 4% annual escalation factor. The bond indebtedness and any direct charges will be accounted for in the valuation.

Conditions of Title

A preliminary title report, prepared by Old Republic Title Company and dated February 11, 2004, was provided for use in this appraisal and is included in the Addenda to this report. While the appraiser has reviewed the conditions of title and has determined no adverse impact on value, the appraiser assumes no negative title restrictions have been recorded since the date of the preliminary title report. The appraiser accepts no responsibility for matters pertaining to title.

Zoning

Fiddyment Ranch Community Facilities District No. 1 relates to developable portions designated for single-family residential, multifamily residential, retail and office development. A description for each of these land use designations is presented on the following page. The information was obtained from our conversations with the City of Roseville Planning Department.

Land Use	Applied Zoning Districts
Residential Uses	
LDR – Low Density Residential	R1/DS – RS/DS
MDR – Medium Density Residential	RS/DS
HDR – High Density Residential	R3
Service and Employment Uses	
CC – Community Commercial	CC
BP – Business Professional	BP
Open Space and Public Uses	
OS – Open Space	OS
P/R – Parks and Recreation	P/R
P/QP – Public/Quasi-Public	P/QP

R1/DS - Single-family Residential/Development Standard Overlay: The R1, Single-Family Residential district is intended for detached, single-family homes and similar and related uses inclusive of half-plexes. The Development Standard Overlay district has been applied to allow variations to development standards at lower densities (5.0 dwelling units/acre and below). The intent of these variations is to provide additional flexibility to accommodate single-family detached product types and to facilitate the use of separate sidewalks to enhance the local street scene and overall neighborhood environment.

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

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

CC – Community Commercial: The Community Commercial district is intended to serve the principal retail shopping needs of the entire community by providing areas for shopping centers and other retail and service uses.

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

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

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

P/QP – Public/Quasi Public: The Public/Quasi-Public district is applied to land intended for education, religious assembly, governmental offices, municipal corporation yards, water treatment plants, power generating facilities (including privately owned facilities) and other publicly-owned facilities.

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

Entitlements

According to the City of Roseville Planning Department, the tentative and/or final subdivision maps for Phase I of the subject development have been recorded. Although the balance of the Fiddyment Ranch development does not have tentative subdivision map approval, a Development Agreement is in place between the City of Roseville and the developer that grants the right to develop the property as planned, so long as the density, intensity, rate and timing of the development remains consistent with the West Roseville Specific Plan and the Development Agreement. In light of the fact the submitted maps are consistent with the West Roseville Specific Plan, the City of Roseville Planning Department does not anticipate any impediments in the approval process. The approvals should represent a routine function for the Planning Department. Thus, no discount will be applied for the subject's land areas that lack tentative subdivision map approval. If for any reason the approval process is delayed indefinitely, the appraisers reserve the right to amend the opinion(s) of value stated herein.

Flood Zone

The subject property is located in Flood Zone X, described as areas outside of the 100- and 500-year floodplains. This information was determined in accordance with our interpretation of the Federal Emergency Management Agency (FEMA) Map, Community Panel Numbers 060239-0457, -0475 and -0394, dated June 8, 1998.

Earthquake Zone

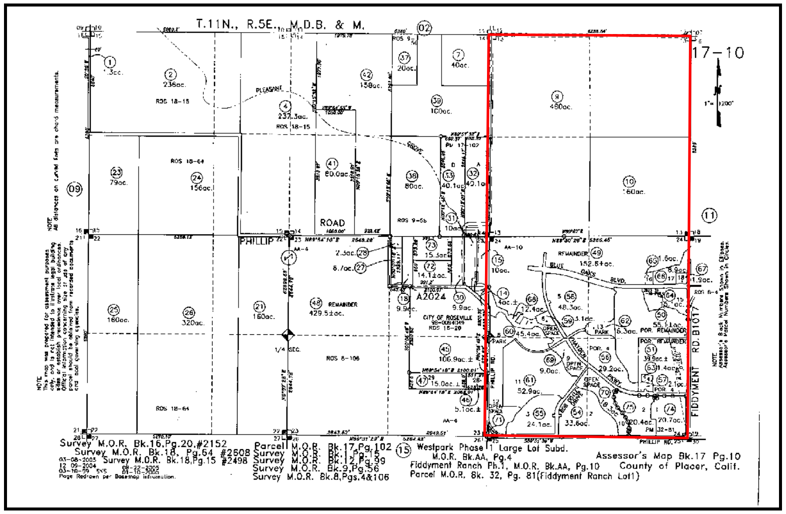
According to the Seismic Safety Commission, the subject property is located within Zone 3, areas of moderate seismic activity. Zone 3 is considered to be the lowest risk zone in California. In addition, the subject is not located within a Fault-Rupture Hazard Zone (formerly referred to as an Alquist-Priolo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

Easements

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

It is worth noting there are overhead power lines throughout the property; however, the subject property is mapped in such a way that the power lines will be situated above open spaces, roads and parking areas upon completion of site development. Thus, the power lines are considered to have nominal, if any, adverse impact on the subject property.

Assessor's Parcel Maps



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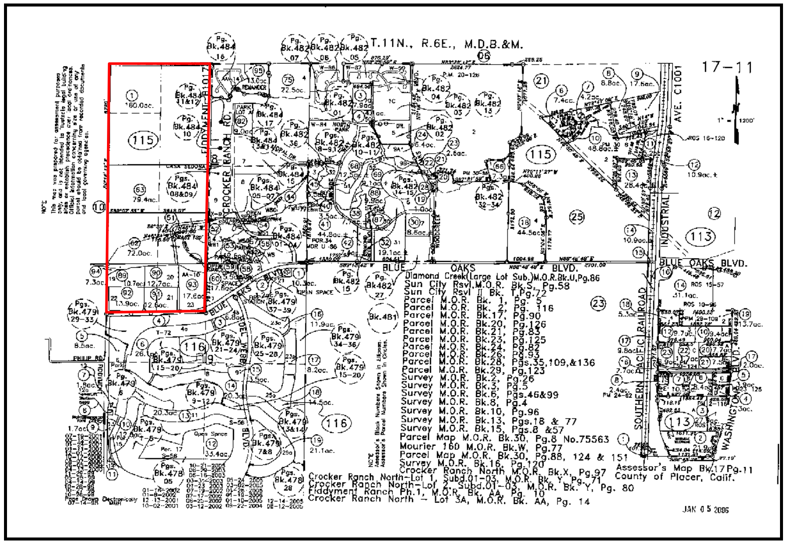
Assessor's Parcel Maps (Continued)



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SITE DESCRIPTION

The Fiddyment Ranch CFD No. 1 bond issuance is scheduled to fund certain portions of the public improvements required for the development of the following components: 3,165 single-family residential lots (including 83 affordable housing lots), a multifamily residential component encompassing 1,005 developable units (including 334 affordable housing units), five commercial sites totaling 31.0 acres, and a business professional (office) site containing 8.7 acres of land area. There are also a number of public/quasi-public land areas (e.g., school sites, parks and open space) that are within the boundaries of the District but will not be encumbered by special taxes. Thus, these sites are excluded from our analysis. The following tables detail the various developable land use components comprising the subject property.

Designation	Proposed Land Use	Acreage	No. of Lots	No. of Units	Typical Lot Size (SF)	Owner/Developer
Phase I						
F-1A	LDR	20.6	93	-	5,000	Shea Homes
F-1B	LDR	20.6	83	-	6,600	Morrison Homes
F-2	LDR	33.8	127	-	6,050	Christopherson Homes
F-3	LDR	24.3	135	-	4,725	KB Homes
F-4	LDR	32.2	77	-	9,600	Signature Properties
F-5A	LDR	23.1	75	-	7,800	Lennar Corporation
F-5B	LDR	25.3	82	-	7,800	Signature Properties
F-17	MDR	16.0	131	-	3,200	Signature Properties
F-21	HDR	12.6	-	182	-	Signature Properties
	HDR (Affordable)	2.6	-	37	-	Signature Properties
F-22	HDR	6.8	-	82	-	Signature Properties
	HDR (Affordable)	3.6	-	44	-	Signature Properties
F-23	HDR	4.5	-	64	-	Signature Properties
	HDR (Affordable)	6.7	-	96	-	Signature Properties
F-24	HDR	7.2	-	114	-	Signature Properties
	HDR (Affordable)	5.4	-	86	-	Signature Properties
F-30	Business Professional	8.7	-	-	-	Signature Properties
F-31	Commercial	13.9	-	-	-	Signature Properties
F-35	Commercial	1.9	-	-	-	Signature Properties
Total - Phase I		*269.8*	*803*	*705*		
Phase II						
F-9A	LDR	41.0	95	-	10,800	Signature Properties
F-9B	LDR	31.3	111	-	7,800	Signature Properties
F-9C	LDR	26.7	104	-	6,600	Signature Properties
F-14A	LDR	22.1	97	-	6,050	Signature Properties
F-14B	LDR	21.4	107	-	4,725	Signature Properties
F-14C	LDR	28.5	111	-	5,775	Signature Properties
F-14D	LDR	31.3	107	-	6,600	Signature Properties
F-15A	LDR	17.5	80	-	4,725	Signature Properties
F-15B	MDR	11.9	102	-	3,150	Signature Properties
F-15C	MDR	12.6	98	-	3,200	Signature Properties
F-16A	MDR	12.6	96	-	3,200	Signature Properties
F-16B	MDR	8.8	64	-	2,625	Signature Properties
	MDR (Affordable)	6.4	46	-	2,625	Signature Properties
F-19	LDR	25.2	108	-	6,050	Signature Properties
F-25	HDR	4.5	-	70	-	Signature Properties
	HDR (Affordable)	1.3	-	20	-	Signature Properties
F-26	HDR	4.6	-	70	-	Signature Properties
	HDR (Affordable)	1.3	-	20	-	Signature Properties
F-32	Commercial	5.0	-	-	-	Signature Properties
F-33	Commercial	4.9	-	-	-	Signature Properties
Total - Phase II		*318.9*	*1,326*	*180*		

Note: LDR - Low Density Residential, MDR - Medium Density Residential, HDR - High Density Residential

Designation	Proposed Land Use	Acreage	No. of Lots	No. of Units	Typical Lot Size (SF)	Owner/Developer
			Phase III			
F-6A	LDR	34.4	112	-	8,400	Signature Properties
F-6B	LDR	28.6	75	-	8,400	Signature Properties
F-7	LDR	35.3	111	-	8,400	Signature Properties
F-8	LDR	31.7	91	-	7,800	Signature Properties
F-10A	LDR	61.1	143	-	9,600	Signature Properties
F-10B	LDR	25.5	84	-	8,400	Signature Properties
F-11	LDR	40.8	99	-	8,400	Signature Properties
F-12	LDR	54.1	167	-	8,400	Signature Properties
F-13A	LDR	24.5	76	-	9,600	Signature Properties
F-13B	LDR	29.8	78	-	8,400	Signature Properties
F-20	HDR	3.0	-	52	-	Signature Properties
	HDR (Affordable)	3.9	-	68	-	Signature Properties
F-34	Commercial	5.3	-	-	-	Signature Properties
Total - Phase III		*378.0*	*1,036*	*120*		
Total		**966.7**	**3,165**	**1,005**		

Note: LDR - Low Density Residential, MDR - Medium Density Residential, HDR - High Density Residential

The appraised property is situated west of Fiddyment Road, north and south of Blue Oaks Boulevard, within the West Roseville Specific Plan, in the city of Roseville, Placer County, California. Land uses in the subject's immediate area are devoted primarily to residential uses and supporting commercial development, both of which have experienced steady acceptance by the market. With the development of the Fiddyment Ranch and neighboring Westpark master planned communities, there are a variety of land uses, including single and multifamily residential, commercial and recreational uses that will be incorporated into the area in the near-term.

The subject property is further described as follows:

Size and Shape: In total, the Fiddyment Ranch master planned community encompasses approximately 1,678 acres of land area, with the developable areas comprising 966.7± acres. The development is situated within the confines of several assessor's parcels that are, for the most part, irregular in shape.

Assessor's Parcel Number(s): The subject property represents several assessor's parcels identified as 017-100-009, -010, -049 through -062, -064 through -071, 017-115-001, -051, -062, -063, and -089 through -094.

Topography: The topography of the property is generally level.

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

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

Frontage/Access: The Fiddyment Ranch master planned community offers primary frontage along Fiddyment Road and the extension of Blue Oaks Boulevard. The primary point of entry into Fiddyment Ranch will be from the west line of Fiddyment Road.

Adjacent Uses:

North	Vacant agricultural land
South	Vacant land proposed for mixed-use development
East	Single-family residential development
West	Vacant agricultural land

Utilities: Public utilities, including electricity, natural gas, water and telephone service, are available at the perimeter of the property and will be extended to each of the land components. Public utilities will be served by the following providers:

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

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

Development Plan: The development plan for the subject property calls for the construction of 3,165 single-family residences (including 83 affordable housing units) on home sites ranging from approximately 2,625 to 10,800 square feet. Also proposed are multifamily residential, retail and office components. The multifamily component, consisting of several sites, is proposed for the construction of 1,005 dwelling units, 334 of which are designated for affordable housing. The business professional component is comprised of one 8.7-acre site, and there are five commercial sites that have a combined land area of 31.0 acres.

Additionally, a noteworthy community use within Fiddyment Ranch is the Regional Sports Park (Parcels F-55 and F-56), a planned 75.6-acre citywide park that is proposed as a regional facility for tournaments and local league events. Proposed improvements include lighted soccer fields, swimming pool, tennis courts, softball diamonds, picnic areas, and pathways.

Functional Adequacy: Development of the single-family residential subdivisions will require an interior street system, which will connect with Fiddyment Road, Blue Oaks Boulevard, Phillip Road, Bob Doyle Drive and Hayden Parkway, to serve all of the various components of the subject property. Based upon this plan, overall functional utility is considered good.

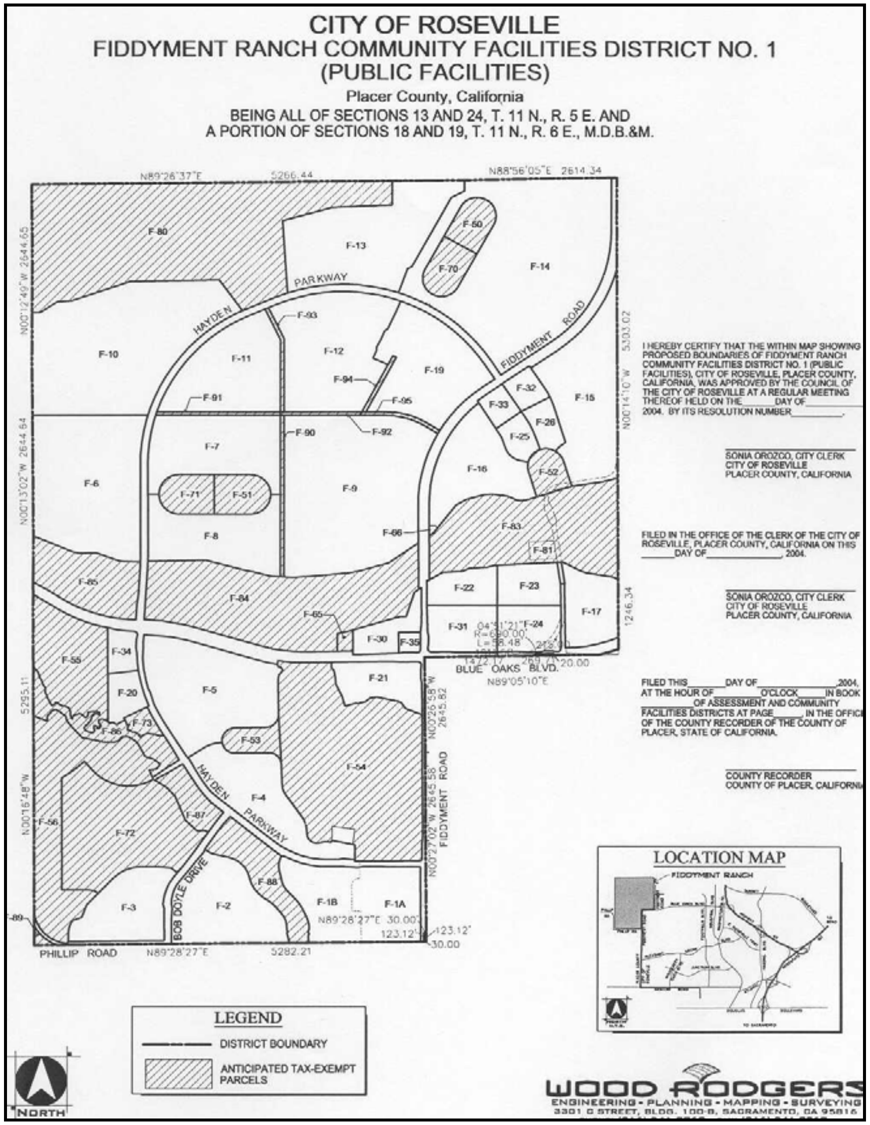
Offsite Improvements: As of the date of value, the subject required significant offsite improvement work. The financing provided through the bond issuance will be used for improvements to Fiddyment Road, Blue Oaks Boulevard, Hayden Parkway, Bob Doyle Drive, Phillip Road and other public roads. These improvements include—but are not limited to—drainage, water, joint trench utilities, concrete curbs, gutters and sidewalks, maintenance holes, street lighting, landscaping, masonry walls, traffic signals, transportation, wastewater, solid waste, parks, open space, utilities, and other miscellaneous improvements.

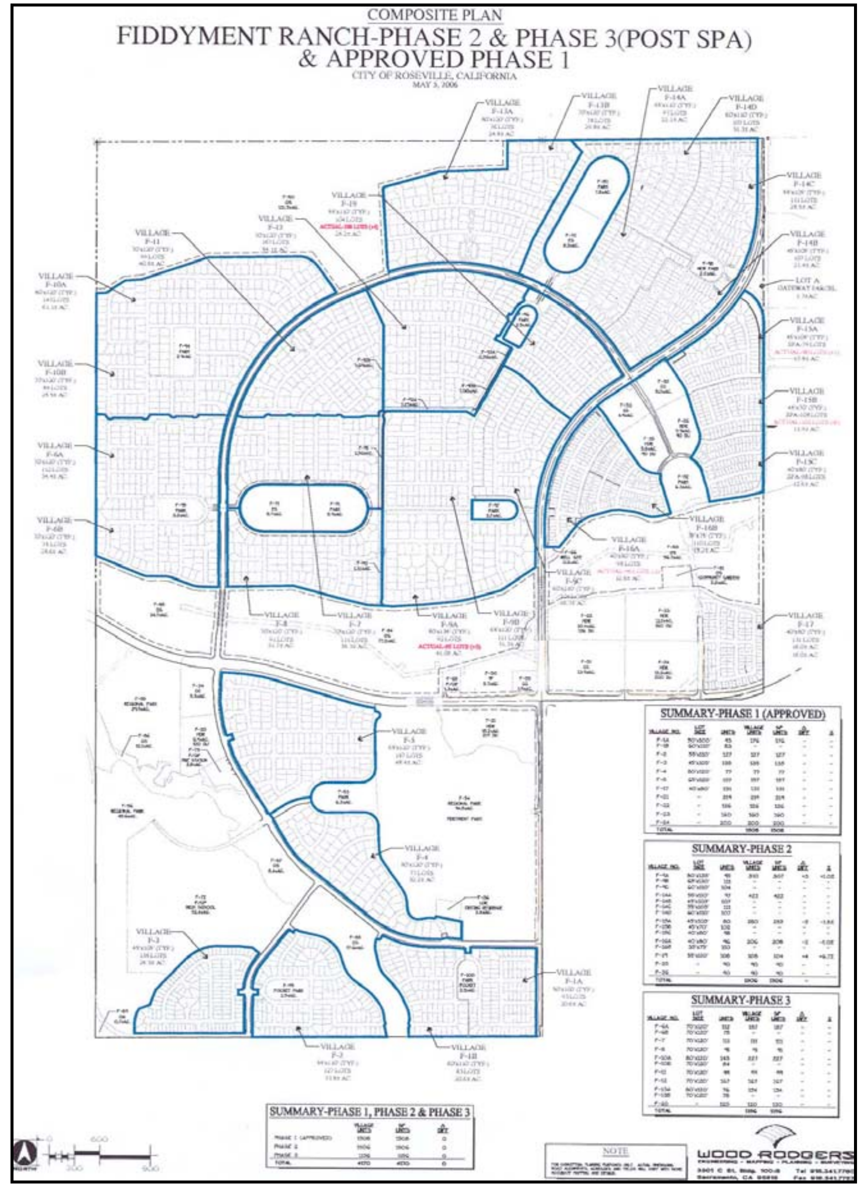
The hypothetical market value estimates contained herein assume the completion of the public facilities to be financed by the Fiddyment Ranch Community Facilities District No. 1 bond issuance (Series 2005 and 2006 bonds).

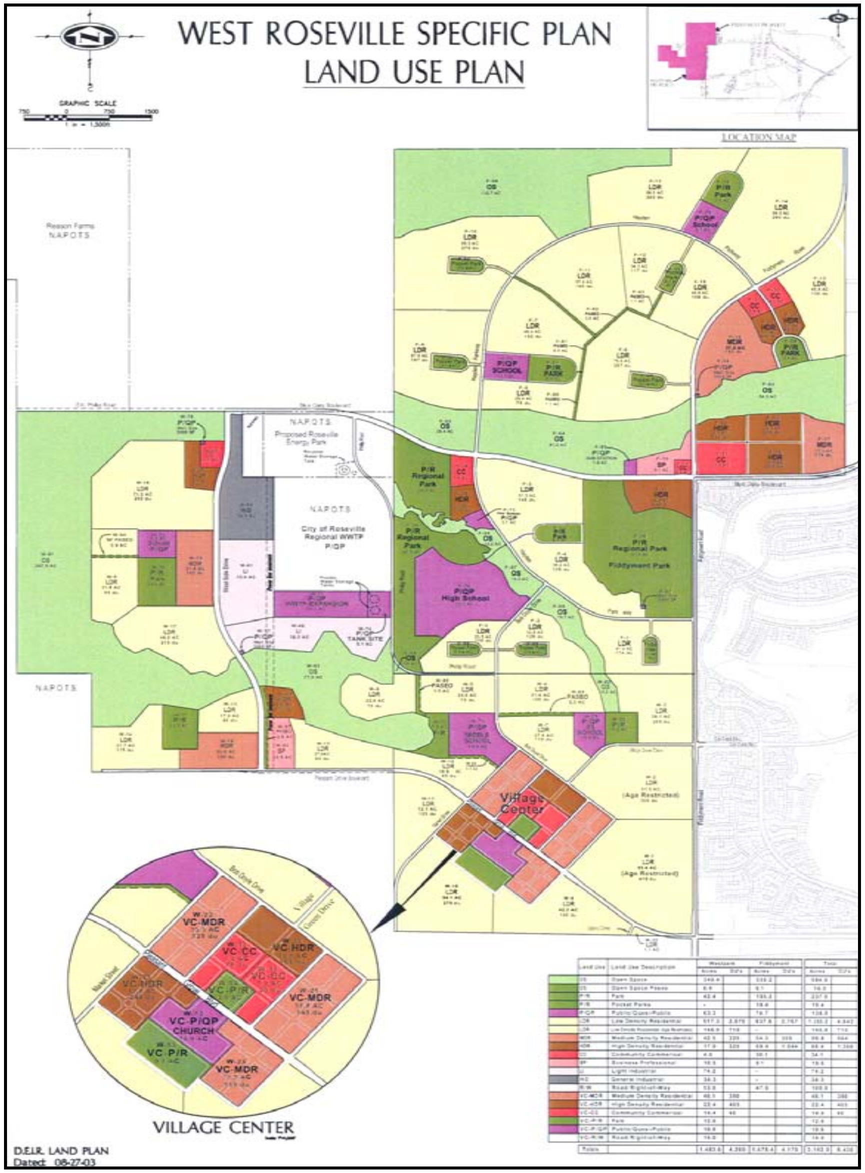
Permits and Fees: The subject's permits and fees pertaining to home construction costs average approximately $44,330 per

unit, which is similar relative to competing projects located throughout the market area. However, the off-site improvements to be funded by the master developer and the District will ultimately serve future developments in the area. Consequently, the master developer will receive fee credits from the City of Roseville upon obtaining building permit. These fee credits are projected at $5,014 per unit. Thus, the net permits and fees are estimated at $39,300 per unit, rounded.

Conclusion: The configuration and size of the subject property are considered adequate for development. The demand for single-family product bodes well for this project and should increase the demand for the complementary land uses within Fiddyment Ranch Community Facilities District No. 1. We expect the subject property to be competitive with the other local developments, as well as projects located elsewhere throughout the Greater Sacramento Region.


CITY OF ROSEVILLE
FIDDYMENT RANCH COMMUNITY FACILITIES DISTRICT NO. 1
(PUBLIC FACILITIES)
Placer County, California
BEING ALL OF SECTIONS 13 AND 24, T. 11 N., R. 5 E. AND
A PORTION OF SECTIONS 18 AND 19, T. 11 N., R. 6 E., M.D.B.&M.
HAYDEN PARKWAY
FIDDYMENT ROAD
BLUE OAKS BLVD.
BOB DOYLE DRIVE
PHILLIP ROAD
I HEREBY CERTIFY THAT THE WITHIN MAP SHOWING PROPOSED BOUNDARIES OF FIDDYMENT RANCH COMMUNITY FACILITIES DISTRICT NO. 1 (PUBLIC FACILITIES), CITY OF ROSEVILLE, PLACER COUNTY, CALIFORNIA, WAS APPROVED BY THE COUNCIL OF THE CITY OF ROSEVILLE AT A REGULAR MEETING THEREOF HELD ON THE ______ DAY OF ______ 2004, BY ITS RESOLUTION NUMBER ______.
SONIA OROZCO, CITY CLERK
CITY OF ROSEVILLE
PLACER COUNTY, CALIFORNIA
FILED IN THE OFFICE OF THE CLERK OF THE CITY OF ROSEVILLE, PLACER COUNTY, CALIFORNIA ON THIS ______ DAY OF ______, 2004.
SONIA OROZCO, CITY CLERK
CITY OF ROSEVILLE
PLACER COUNTY, CALIFORNIA
FILED THIS ______ DAY OF ______ 2004, AT THE HOUR OF ______ O'CLOCK ______ IN BOOK ______ OF ASSESSMENT AND COMMUNITY FACILITIES DISTRICTS AT PAGE ______ IN THE OFFICE OF THE COUNTY RECORDER OF THE COUNTY OF PLACER, STATE OF CALIFORNIA.
COUNTY RECORDER
COUNTY OF PLACER, CALIFORNIA
LOCATION MAP
FIDDYMENT RANCH
LEGEND
DISTRICT BOUNDARY
ANTICIPATED TAX-EXEMPT PARCELS
NORTH
WOOD RODGERS
ENGINEERING • PLANNING • MAPPING • SURVEYING
3301 C STREET, BLDG. 100-B, SACRAMENTO, CA 95816


COMPOSITE PLAN
FIDDYMENT RANCH-PHASE 2 & PHASE 3(POST SPA)
& APPROVED PHASE 1
CITY OF ROSEVILLE, CALIFORNIA
MAY 3, 2006
SUMMARY-PHASE 1 (APPROVED)
SUMMARY-PHASE 2
SUMMARY-PHASE 3
SUMMARY-PHASE 1, PHASE 2 & PHASE 3
NOTE
WOOD RODGERS



FACILITIES TO BE FINANCED BY THE DISTRICT

This report will address the hypothetical market value of the subject property assuming completion of the improvements to be financed by the Fiddyment Ranch Community Facilities District No. 1 bond issuance (Series 2005 and 2006 bonds). The improvements authorized to be financed by the District are detailed in the Hearing Report prepared by Economic and Planning Systems Inc. (EPS), a copy of which is included in the Addenda to this report. The primary facilities authorized to be constructed with the bond proceeds will be used for improvements to Fiddyment Road, Blue Oaks Boulevard, Hayden Parkway, Bob Doyle Drive, Phillip Road and other public roads. These improvements include—but are not limited to—drainage, water, joint trench utilities, concrete curbs, gutters and sidewalks, maintenance holes, street lighting, landscaping, masonry walls, traffic signals, transportation, wastewater, solid waste, parks, open space, utilities, and other miscellaneous improvements.

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

SUBJECT PHOTOGRAPHS

Looking northwest across the Subject Property from Phillip Road

Looking north across the Subject Property from Phillip Road

Looking north from the extension of Blue Oaks Boulevard

Looking west along the Blue Oaks Boulevard extension

Looking east along the Blue Oaks Boulevard extension

Southerly view across the Subject Property

Looking east along Phillip Road (Subject along left side)

Looking west along Phillip Road (Subject along right side)

HIGHEST AND BEST USE ANALYSIS

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

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

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

Highest and Best Use – As Vacant (Single-Family Residential Component)

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

Legal Permissibility

The legal factors influencing the highest and best use of the subject property are primarily government regulations, such as zoning and building codes. According to the City of Roseville Planning Department, the single-family residential component has R1/DS or RS/DS zoning, which are designated to provide areas for detached or attached single-family residences. The area has undergone extensive planning and review. Zoning modifications are considered highly unlikely. Additionally, the tentative and/or final subdivision maps for Phase I of the subject property have recorded. Although the balance of the Fiddyment Ranch development does not have tentative subdivision map approval, a Development Agreement is in place between the City of Roseville and the master developer that grants the right to develop the property, so long as the density, intensity, rate and timing of the development remains consistent with the West Roseville Specific Plan and the Development Agreement. Based on the approved development plans for Fiddyment Ranch Community Facilities District No. 1, the various subdivisions will include 3,165 lots, of which 83 lots will be designated for affordable housing units. In accordance with the West Roseville Specific Plan, as well as the underlying zoning ordinances, single-family residential development is the only legally permissible use of this component.

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

Physical Possibility

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

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

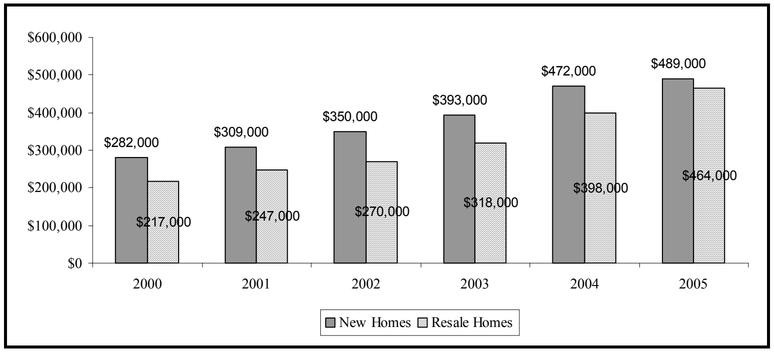
At the time of inspection, the appraiser did not observe the existence of hazardous material, which may or may not be present on the property. The appraiser has no knowledge of the existence of such materials on the property. However, the appraiser is not qualified to detect such substances. The presence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

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

Financial Feasibility

A determination of financial feasibility is dependent primarily upon demand. The subject property is located at the western boundary of the city of Roseville, in an area that is proposed for and in the process of near-term urbanization. There is abundant evidence of strong market acceptance for residential growth in the subject's market area, and there appears to be sufficient demand to support new development.

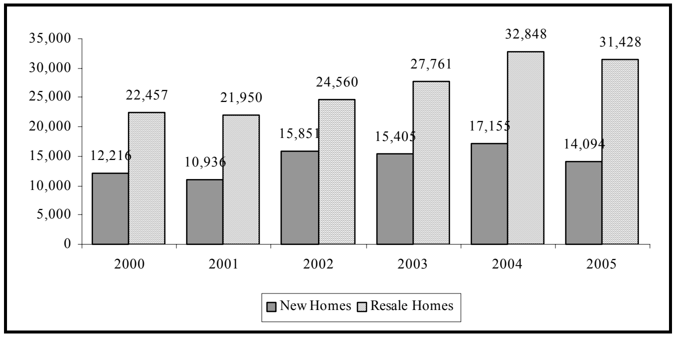
As noted, the subject property has entitlements for subdivision into 3,165 single-family residential lots. Sales of new and existing homes in the Sacramento region have improved significantly over the past few years, and new home prices continue to escalate in the current market environment, albeit at a moderated pace relative to the annual increases experienced over previous years. The following chart details average new and resale home prices in the Sacramento region.



Source: The Gregory Group (new); Lyon Real Estate (resale)

Due to historical increases in home prices over recent quarters, land values have also increased commensurately. However, even with current land prices, builders are reportedly making sufficient profits to warrant construction of new residential units. After analyzing current absorption rates of residential projects in the Roseville, Rocklin and Lincoln submarkets, it appears single-family residential development will continue to be well received by the marketplace.

With respect to absorption, sales of new and resale homes declined in 2005 compared to 2004. Market participants (home builders, brokers, etc.) attribute a portion of the decline to speculative investors canceling contracts. Regardless of the recent moderation in sales, the figures for 2005 are still strong compared to historical figures. The following chart details the number of home sales in the Sacramento region, both resale and new.



Source: The Gregory Group (new); Lyon Real Estate (resale)

In considering the feasibility of single-family subdivisions on the subject property, reference is made to the *Sacramento Metropolitan Area Housing Market Overview* section of this report. The subject's market area is in a state of growth. The proximity to the Sacramento and Roseville employment sectors has been beneficial for the numerous residential projects recently developed, and currently developing, in the area. The demand for residential product proximate to employment centers and community amenities has led to increases in home prices. While prices have stabilized over recent months, current pricing and absorption rates suggest profit levels and rates of return that are attractive to builders.

Based on the preceding discussion, and considering the stable demand for new housing in the Roseville area, single-family residential development is considered a financially feasible use of this component.

Maximum Productivity – Conclusion

Legal, physical and market conditions have been analyzed to evaluate the highest and best use of the subject property. The analysis is presented to evaluate the type of use(s) that will generate the greatest level of future benefits possible to the property. Based on the factors previously discussed, single-family residential development is the maximally productive land use that is legally permissible, physically possible and financially feasible. Therefore, considering the subject's specific characteristics, the highest and best use of the subject property is for the orderly development of well balanced single-family residential subdivisions. As noted, there are 83 lots designated for the development of affordable housing units. While affordable housing does not represent the maximally productive use of these sites, it is mandated by the City of Roseville and, therefore, is considered in the valuation.

Highest and Best Use – As Vacant (Multifamily Residential Component)

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

Legal Permissibility

The subject is located in the city of Roseville and is encumbered by an R3, Attached Housing zoning ordinance. The types of land uses intended for the R3 zoning district include apartments, condominiums, townhouses and similar and related compatible uses. In accordance with the West Roseville Specific Plan, as well as the underlying zoning ordinance, multifamily residential development is the only legally permissible use of this component.

Physical Possibility

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

The subject sites range from 1.3 to 12.6 acres in land area, are generally irregular in shape, and have level topography. The properties are not within a floodplain or an earthquake zone. It appears the physical characteristics of these sites would not prohibit multifamily development and, therefore, the properties are physically suited for this type of development.

The information cited herein enables us to conclude the legally permissible uses are also physically possible on the subject parcels.

Financial Feasibility

At this point in our analysis, it is necessary to consider the financially feasible, or profitable, use of the subject's multifamily residential component. The strong demand for single-family residential product in the Sacramento area has led to increases in the median home price over the past several years. Housing in the area is increasingly more unaffordable to entry-level homebuyers, who are being forced to either purchase homes in outlying areas, such as Sutter and Yuba Counties, or search for an alternative housing product. In the Sacramento Region, home prices have soared and, as a result, demand for multifamily and alternative forms of housing in the area have increased significantly.

While an apartment complex is legally permissible under the R3 zoning ordinance, a for-sale development, such as a condominium or townhouse project, is more profitable than a for-rent apartment project. This is supported by the fact that in the subject's general market area, there have been a number of apartment projects that have undergone or are in the process of obtaining entitlements for condominium conversion. Examples of active condominium conversions are The Villas and the Villages of the Galleria. The Reserves, also located in Roseville, converted 202 units to condominiums in the Second Quarter of 2003 and have sold out. Additionally, a number of higher-density, attached housing projects have recently been developed, are under construction or are proposed in the subject's market area. Generally, active attached projects are exhibiting absorption rates of between 0.78 and 6.59 units per month as of the First Quarter of 2006. Demand and prices are steadily rising in the area and, even with current land prices, builders are reportedly making sufficient profits to warrant construction of new residential units. Considering the steady demand and limited supply of entry-level to middle-income residential projects in the subject's market area, as well as the trend away from rental developments (apartments) towards for-sale

projects, the most financially feasible use of the multifamily component is for attached residential (condominium or townhouse) development.

Maximum Productivity - Conclusion

Development of attached residential for-sale projects is the maximally productive land use that is legally permissible, physically possible and financially feasible. Thus, it is our conclusion the highest and best use – as vacant – of the subject property is to maximize the allowable density and develop condominium or townhouse projects that would cater to the demands of the market. As with the single-family residential component, the multifamily component has an affordable housing requirement that designates apartment complexes and units to be rented at below market rents. Construction of apartment complexes and setting rents that are below market is not deemed the maximally productive use of the subject property; however, it is required by the City of Roseville and is therefore considered in our analysis.

<u>Highest and Best Use – As Vacant (Business Professional Component)</u>

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

Legal Permissibility

The business professional (office) component of the subject property consists of one site containing 8.7 acres of land area. According to the City of Roseville Planning Department, the property is zoned BP- Business Professional. This district is intended to provide locations for a wide variety of office uses and other uses which are related to and supportive of office uses. Based on the underlying land use designation, the legally permissible use of the site is limited to office development.

Physical Possibility

The physical characteristics of the site, including size, shape, topography, accessibility and availability of utilities, were given consideration in determining whether the legally permissible use is physically possible. The physical and locational characteristics of the subject property have been described in the previous highest and best use analyses. In summary, the physical characteristics of the site are considered suitable for development. While the property is partially encumbered by an overhead power line easement, the area under the power line may be used for parking. Thus, the power lines are considered to have nominal, if any, adverse impact on the subject property. Overall, the subject has physical characteristics that support the legally permissible use.

Financial Feasibility

The determination of financial feasibility is dependent primarily on demand. The subject site is located along the extension of Blue Oaks Boulevard and has adequate frontage along this street. Further, the property is located proximate to State Highway 65 and Interstate 80.

Net absorption statistics and current and historical vacancy statistics indicate that demand for office properties should remain stable over the next several years. Furthermore, as discussed in the *Office Market Overview* section of this report, the subject is located in a stable office market. Rental rates, land prices and building prices have all increased over the last five years. The CB Richard Ellis Office Market Index Brief (First Quarter 2006) reports an office vacancy rate of 13.3% for the Sacramento MSA, while the subject's submarket (Roseville/Rocklin) exhibited a 12.3% vacancy rate. The office market in the Sacramento region continued to show signs of improvement relative to previous quarters. Net absorption was 30,014 square feet for the quarter, and net absorption of office space in 2005 was the highest since the year 2000. However, the increased absorption has not had a significant effect on vacancy figures due to the large amount of new product that continues to come online. Overall, investors see a strong long-term outlook for the Sacramento office market, particularly in the growth area of Roseville/Rocklin. As of the date of inspection, there were not a significant amount of listings for available office space in the subject's immediate area. Additionally, it appears office properties are receiving economically viable rents.

Demand and vacancy rates for office properties in the Roseville/Rocklin submarket are expected to remain stable over the foreseeable future. The stable demand for commercial properties suggest that some form of office development is the most logical use of the subject property. There is currently limited office development in the subject's immediate area. It is anticipated that as the residential projects become developed, demand for office land in the area will increase.

Maximum Productivity – Conclusion

Legal, physical and market conditions have been analyzed to evaluate the highest and best use of the subject property. The analysis is presented to evaluate the type of use(s), which will generate the greatest level of future benefits possible to the property. Based on the factors previously discussed, office development is the maximally productive land use that is legally permissible, physically possible and financially feasible. Considering the limited amount of office development in the subject's immediate area, the highest and best use of the business professional (office) component is to hold for investment and to develop an office project once the Fiddyment Ranch community becomes more established.

Highest and Best Use – As Vacant (Commercial Component)

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

Legal Permissibility

The commercial (retail) component of the subject property is comprised of five separate sites containing a total of 31.0 acres of land area. The City of Roseville Planning Department indicates the subject property is zoned CC- Community Commercial. This district is intended to serve the principal retail shopping needs of the entire community by providing areas for shopping centers, and other retail and service uses. Based on the underlying land use designation, the legally permissible use of the sites is limited to commercial development.

Physical Possibility

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

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

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

Financial Feasibility

The determination of financial feasibility is dependent primarily on demand. Based on the legal and physical characteristics, it appears as if retail projects are the most logical, permitted use of the subject sites. Given the quality of the area and the demand for retail space in the area, retail use of the properties could receive adequate demand so as to provide a relatively short absorption period. According to the CB Richard Ellis Retail Market Index, as of the First Quarter 2006, the retail vacancy rate in the subject's market area (Roseville/Rocklin) was 3.6%, below the average vacancy rate for the Sacramento Region (4.5%). Additionally, the 3.6% vacancy rate is being experienced at a time of significant new speculative construction, indicating good absorption rates. Specifically, there was a positive net absorption of 200,074 square feet of retail space in the Roseville/Rocklin market during the 2005 calendar year, the second highest absorption rate in the entire Sacramento market area. Based on net absorption statistics and current and historical vacancy statistics, it appears that demand for retail properties will remain stable in the foreseeable future. The subject property will also benefit from its location along main thoroughfares upon completion of off-site development.

Considering the preceding factors, it is our opinion that retail projects are a financially feasible use of the subject sites (as vacant) based on market rental rates, vacancy factors and historical/current retail net absorption within the subject's market area. The subject's proximity to new and proposed residential subdivisions in the area has led to a balanced market and the potential for increased development activity. The development of neighborhood shopping centers or complimentary commercial uses is an integral part of a well-balanced community. There is currently limited retail development in the subject's immediate area. It is anticipated that as the residential projects become developed, demand for retail land in the area will increase.

Maximum Productivity - Conclusion

Based on the preceding discussion, it is our opinion retail development will serve the growing needs of the Fiddyment Ranch development, as well as adjoining and nearby residential developments. Thus, the maximally productive use of this component is for development as retail projects. However, until the community becomes more established, the highest and best use of the commercial sites is to hold for investment and develop at such a time as supporting residential uses are in place.

APPROACHES TO VALUE

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

Cost Approach

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

The definition of the cost approach is offered as follows:

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

Sales Comparison Approach

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

[7] The Dictionary of Real Estate Appraisal, 4th ed. (Chicago: Appraisal Institute, 2002), 305.
[8] The Dictionary of Real Estate Appraisal, 67.

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

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

Income Capitalization Approach

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

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

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

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

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

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

[9] The Dictionary of Real Estate Appraisal, 4th ed. (Chicago: Appraisal Institute, 2002), 255.
[10] The Dictionary of Real Estate Appraisal, 88.
[11] The Dictionary of Real Estate Appraisal, 315.
[12] The Dictionary of Real Estate Appraisal, 4th ed. (Chicago: Appraisal Institute, 2002), 143.

Extraction Technique (Residual Analysis)

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

Subdivision Development Method

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

[13] The Dictionary of Real Estate Appraisal, 106.
[14] The Dictionary of Real Estate Appraisal, 279.

APPRAISAL METHODOLOGY

We have been requested to provide estimates of hypothetical market value of the subject property by ownership. The subdivision development method to value (discounted cash flow analysis) will be relied upon in the analysis of the subject property. As a component of the subdivision development method, the sales comparison approach and extraction technique will be employed to estimate value for a typical village (8,400 square foot lot size) within the Fiddyment Ranch master planned community. Then, we utilized the data set and other market indicators to establish the incremental value difference between each of the lot groupings that are either smaller or larger than the subject's 8,400 square foot lots. The sales comparison approach will also be employed to estimate revenue for the retail and office components. With respect to the multifamily component, six sites are encumbered by an affordable housing requirement. Due to the lack of recent sales relating to affordable housing multifamily developments (or sites), the extraction technique will exclusively be relied upon to develop an opinion of hypothetical market value for these parcels. In the application of the extraction technique, the income capitalization approach will be utilized to establish value for hypothetical multifamily housing developments, after which estimated costs of construction will be deducted, resulting in estimates of value for the underlying sites. Finally, the sales comparison approach will be employed once again to estimate the hypothetical market values of the multifamily sites that do not have an affordable housing requirement.

The resultant value (revenue) indicators will be incorporated into discounted cash flow analyses to estimate the hypothetical market values of the subject property by ownership entity, assuming the completion of the improvements to be financed by the Fiddyment Ranch CFD No. 1 bond issuance (Series 2005 and 2006 bonds). It is noted that the sum of the hypothetical market values for the individual ownership entities represents the hypothetical cumulative value of the properties within the District, which is not equivalent to the hypothetical market value of the properties as a whole.

While several model homes are currently under construction, the contributory value of the improvements is beyond the scope of our analysis. Therefore, in estimating the hypothetical market values of the subject property, we will only consider the value of the underlying land. There are also a number of public/quasi-public land areas (e.g., school sites, parks and open space) that are within the boundaries of the District but will not be encumbered by special taxes. Thus, these sites are excluded from our analysis.

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

HYPOTHETICAL MARKET VALUATION

The hypothetical market value of the subject's single-family residential, multifamily residential, retail and office revenue components will be estimated in this section of the report. The valuation of the subject property represents the hypothetical component values, assuming the improvements to be financed by the Fiddyment Ranch CFD No. 1 bond issuance (Series 2005 and 2006 bonds) are in place. The subdivision development method will be employed and is defined as follows:

SUBDIVISION DEVELOPMENT METHOD

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

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

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

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

REVENUE

The revenue will be generated by the sale of the subject's single-family residential, multifamily, retail and office components. In the following section, we begin by estimating revenues for the single-family residential component. Subsequent sections will detail the revenue streams of the other components.

In estimating revenues for the single-family residential component, we will derive loaded lot indicators for each residential village by analyzing comparable sales of recent transactions in the market area. As a supporting value indicator, we will use the residual analysis, or extraction technique.

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

Sales Comparison Approach – Single-Family Residential Component

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

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

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

After deriving a loaded lot indicator for the subject property from comparable sales data, the permits and fees for a typical lot within the subject property, as well as site development costs, will be subtracted from the derived loaded lot indicator. The site development costs per lot quantifies the amount of development needed to transform the unimproved lots into improved lots. Improved lot status includes the completion of in-tract development. As of the date of our inspection, the subject's residential villages were at various stages of development (improved, partially improved and unimproved). The valuation accounts for any site development costs that have been incurred to date. Additionally, the value estimates assume the improvements to be financed by the Fiddyment Ranch Community Facilities District No. 1 bond issuance (Series 2005 and 2006 bonds) are in place and available for use.

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

the fees. Therefore, the amount of HOA dues is considered to be offset by the amenities provided by those dues.

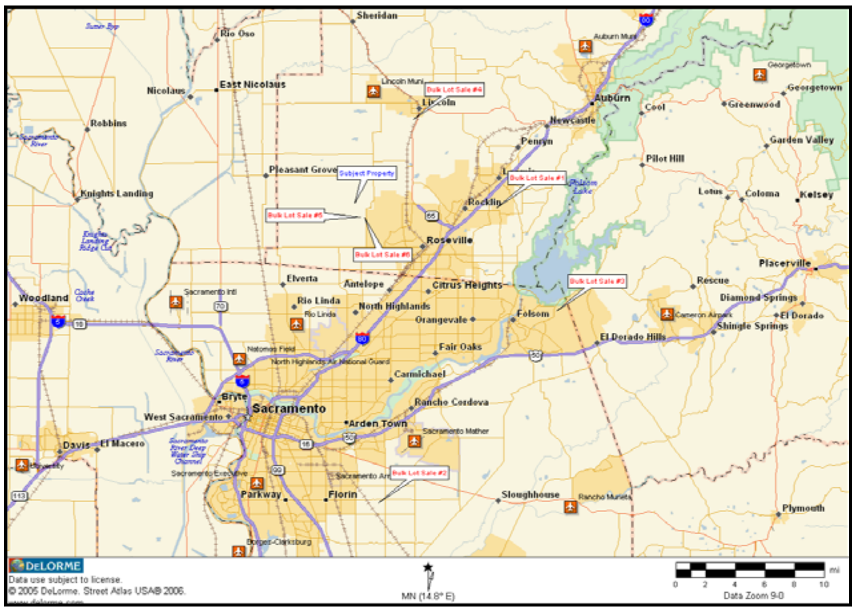
There are approximately 11 different lot size groupings represented by the subject's proposed single-family residential lots: 2,625 square feet, 3,150 – 3,200 square feet, 4,725 square feet, 5,000 square feet, 5,775 square feet, 6,050 square feet, 6,600 square feet, 7,800 square feet, 8,400 square feet, 9,600 square feet, and 10,800 square feet. The largest single group of lots, in terms of lot count, is the subject's 8,400 square foot lots. Thus, to facilitate the following analysis, we will use the 8,400 square foot lot grouping as the basis for our valuation. At the end of this section, we will utilize the data set and other market indicators to establish the incremental value difference between each of the lot groupings that are either smaller or larger than the subject's 8,400 square foot lots.

The survey of recent transactions revealed six comparables in the subject's market area and surrounding submarkets that are considered good indicators of hypothetical market value for the subject's single-family residential component. The sales cover the period from November 2004 to March 2006 and range in quantity from 93 to 272 lots. The sales relied upon in this analysis are summarized in the table on the following page, along with a location map. Detailed sales sheets and an adjustment discussion follow the summary table.

COMPARABLE BULK LOT SALES

No.	Location	Sale Date	Sale Price	No. of Lots	$/Lot	Costs to Complete*	Permits and Fees	PV of Bonds	Loaded Lot Value	Typical Lot Size
1	**Croftwood Estates** Along the west line of Barton Road, north of Rocklin Road Rocklin	Mar-06	$29,250,000	156	$187,500	$82,290	$26,450	$0	$296,240	12,000
2	**Vineyard Creek (Portion)** South side of Florin Road, west of Bradshaw Road Sacramento County	Aug-05	$36,720,000	272	$135,000	$106,261	$30,895	$2,753	$274,909	6,600
3	**The Parkway (portion)** South of Blue Ravine Road, west of Natoma Street Folsom	Jul-05	$22,500,000	137	$164,234	$68,200	$30,000	$4,818	$267,251	3,200
4	**Lincoln Crossing - Village 9A** South of Ferrari Ranch Road, west of State Highway 65 Lincoln	May-05	$13,200,000	96	$137,500	$29,700	$14,000	$31,384	$212,584	5,500
5	**Fiddyment Ranch - Village F-3** North of Phillip Road, west of Bob Doyle Drive Roseville	Feb-05	$22,005,000	135	$163,000	$20,379	$43,000	$17,894	$244,273	4,725
6	**Fiddyment Ranch - Village F-1A** West of Fiddyment Road, south of Hayden Parkway Roseville	Nov-04	$14,452,200	93	$155,400	$35,308	$43,000	$17,894	$251,602	5,800

* Inclusive of a 10% allocation for profit



COMPARABLE BULK LOT SALE 1

Property Identification	
Project Name	Croftwood Estates
Location	Along the west line of Barton Road, north of Rocklin Road
City	Rocklin
County	Placer
Sale Data	
Grantor	Alleghany Properties, LLC
Grantee	Dunmore Homes
Sale Date	3/2006
Property Rights Conveyed	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	$29,250,000
Annual Special Assessments per Lot	$0
Land Data	
Zoning	PD-1.93, OA
Topography	Level
Utilities	All Available
Number of Lots	156
Development Status at Sale	Unimproved Lots
Typical Lot Size (SF)	12,000
Indicators (Per Lot)	
Sale Price	$187,500
Site Development Costs	$74,809
Developer's Incentive	$7,481
Finished Lot Indicator	$269,790
PV of Bonds	$0
Permits and Fees	$26,450
Loaded Lot Indicator	$296,240

Remarks

This sale represents the sale of Croftwood Estates, a 156-lot subdivision. The buyer, Dunmore Homes, purchased the lots for $187,500 per unimproved lot. Permits and fees average $26,450 per lot. Croftwood Estates has extensive lot premium amenities, including lots with frontage along Croftwood Lake and Secret Ravine Creek, as well as lots adjacent to open space.

COMPARABLE BULK LOT SALE 2

Property Identification	
Project Name	Vineyard Creek (portion)
Location	South side of Florin Road, west of Bradshaw Road
City	Unincorporated
County	Sacramento
Sale Data	
Grantor	Lennar Communities, Inc.
Grantee	Standard Pacific Corp.
Sale Date	8/12/2005
Property Rights Conveyed	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	$36,720,000
Annual Special Assessments per Lot	$200
Land Data	
Zoning	Single-family Residential
Topography	Level
Utilities	All Available
Number of Lots	272
Development Status at Sale	Unimproved Lots
Typical Lot Size (SF)	6,600
Indicators (Per Lot)	
Sale Price	$135,000
Site Development Costs	$96,601
Developer's Incentive	$9,660
Finished Lot Indicator	$241,261
PV of Bonds	$2,753
Permits and Fees	$30,895
Loaded Lot Indicator	$274,909

Remarks

This comparable sale is a portion of the overall sale of Vineyard Creek in the North Vineyard Station Specific Plan. The total purchase price for 375 single-family residential lots and 6.90 acres of multifamily residential land was $53,855,000. The overall purchase price was calculated per component. Specifically, the buyer paid $135,000 per 6,600 square foot lot (272 lots total), $125,000 per 4,725 square foot lot (103 lots total) and $600,000 per acre of multifamily residential land (6.90 acres total). Total permits and fees paid by the developer in Vineyard Creek are estimated to be approximately $67,547 per lot; however, fee credits attributable to sizeable infrastructure improvements constructed by the developer will lower the effective permits and fees to $30,895 per lot.

COMPARABLE BULK LOT SALE 3

Property Identification	
Project Name	The Parkway (portion)
Location	South of Blue Ravine Road, west of Natoma Street
City	Folsom
County	Sacramento
Sale Data	
Grantor	Parkway South, Inc.
Grantee	John Laing Homes
Sale Date	7/2005
Property Rights Conveyed	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	$22,500,000
Annual Special Assessments per Lot	$350
Land Data	
Zoning	Residential
Topography	Level to Rolling
Utilities	All Required
Number of Lots	137
Development Status at Sale	Unimproved Lots
Typical Lot Size (SF)	3,200
Indicators (Per Lot)	
Sale Price	$164,234
Site Development Costs	$62,000
Developer's Incentive	$6,200
Finished Lot Indicator	$232,434
PV of Bonds	$4,818
Permits and Fees	$30,000
Loaded Lot Indicator	$267,251

Remarks

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

COMPARABLE BULK LOT SALE 4

Property Identification	
Project Name	Lincoln Crossing - Village 9A
Location	South of Ferrari Ranch Road, west of State Highway 65
City	Lincoln
County	Placer
Sale Data	
Grantor	Suncal Development
Grantee	Lennar Communities
Sale Date	5/2005
Property Rights Conveyed	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	$13,200,000
Annual Special Assessments per Lot	$2,280
Land Data	
Zoning	Residential
Topography	Level
Utilities	All Available
Number of Lots	96
Development Status at Sale	Unimproved Lots
Typical Lot Size (SF)	5,500
Indicators (Per Lot)	
Sale Price	$137,500
Site Development Costs	$27,000
Developer's Incentive	$2,700
Finished Lot Indicator	$167,200
PV of Bonds	$31,384
Permits and Fees	$14,000
Loaded Lot Indicator	$212,584

Remarks

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

COMPARABLE BULK LOT SALE 5

Property Identification	
Project Name	Fiddyment Ranch, Village F-3
Location	North of Phillip Road, west of Bob Doyle Drive
City	Roseville
County	Placer
Sale Data	
Grantor	Roseville Fiddyment Land Venture, LLC
Grantee	KB Home
Sale Date	2/2005
Property Rights Conveyed	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	$22,005,000
Annual Special Assessments per Lot	$1,300
Land Data	
Zoning	Single-family Residential
Topography	Generally Level
Utilities	All Available
Number of Lots	135
Development Status at Sale	Partially Improved Lots
Typical Lot Size (SF)	4,725
Indicators (Per Lot)	
Sale Price	$163,000
Site Development Costs	$18,526
Developer's Incentive	$1,853
Finished Lot Indicator	$183,379
PV of Bonds	$17,894
Permits and Fees	$43,000
Loaded Lot Indicator	$244,273

Remarks

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

COMPARABLE BULK LOT SALE 6

Property Identification	
Project Name	Fiddyment Ranch, Village F-1A
Location	West of Fiddyment Road, south of Hayden Parkway
City	Roseville
County	Placer
Sale Data	
Grantor	Roseville Fiddyment Land Venture, LLC
Grantee	Shea Homes
Sale Date	11/2004
Property Rights Conveyed	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	$14,452,200
Annual Special Assessments per Lot	$1,300
Land Data	
Zoning	Single-family Residential
Topography	Generally Level
Utilities	All Available
Number of Lots	93
Development Status at Sale	Partially Improved Lots
Typical Lot Size (SF)	5,800
Indicators (Per Lot)	
Sale Price	$155,400
Site Development Costs	$32,098
Developer's Incentive	$3,210
Finished Lot Indicator	$190,708
PV of Bonds	$17,894
Permits and Fees	$43,000
Loaded Lot Indicator	$251,602

Remarks

This comparable represents the November 2004 sale of Fiddyment Ranch – Village F-1A. The typical lot size within this development is 5,800 square feet. The property transferred as unimproved lots, and remaining site development costs were reported at $32,098 per lot, exclusive of a profit allocation (i.e. developer's incentive). The property closed escrow in July 2005.

Adjustments

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

Site Development Costs

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

Permits and Fees (Impact Fees)

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

Bonds and Assessments

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

Additional Adjustments

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

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

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

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

Property Rights Conveyed

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

Financing Terms

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

Conditions of Sale

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

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

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

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

Market Conditions (Time)

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

In evaluating market conditions, changes between the sale dates and the effective date of this appraisal may warrant adjustment; however, if market conditions have not changed, then no time adjustment is required. Market conditions in the subject's market area have steadily improved over the past several years. The following table details the average new home pricing within several submarkets of Placer County over the past nine quarters, as reported by The Gregory Group.

City/Community (Average Price/ Quarter Sales)	2004 1st Qtr	2004 2nd Qtr	2004 3rd Qtr	2004 4th Qtr	2005 1st Qtr	2005 2nd Qtr	2005 3rd Qtr	2005 4th Qtr	2006 1st Qtr	Quarter % Change	Year Ago % Change
Roseville	$489,290	$540,674	$547,460	$555,655	$587,179	$588,669	$593,921	$590,395	$569,325	-3.6%	-3.0%
	470	311	428	189	443	372	274	37	127	243.2%	-71.3%
Rocklin	$472,738	$498,089	$515,203	$518,729	$612,344	$649,701	$519,079	$551,231	$582,284	5.6%	-4.9%
	120	149	68	28	71	27	40	23	67	191.3%	-5.6%
Lincoln	$428,111	$483,913	$518,692	$547,372	$560,326	$530,060	$526,121	$522,877	$508,640	-2.7%	-9.2%
	423	524	270	225	297	507	316	146	353	141.8%	18.9%
Placer County	$464,553	$509,727	$528,154	$547,943	$576,611	$565,308	$555,583	$554,967	$543,442	-2.1%	-5.8%
	1,032	1,015	773	489	838	925	640	206	551	167.5%	-34.2%

In evaluating market conditions, changes between the sale dates and the effective date of this appraisal may warrant adjustment; however, if market conditions have not changed, then no time adjustment is required. Sales of new and existing homes in the region have improved significantly over the past few years, but prices appear to be moderating in the current market environment. Based on our review of historical pricing for several comparable projects in the subject's market area, as reported by The Gregory Group, Comparable #6 is adjusted upward to account for the improvement in market conditions since the sale date.

Physical Characteristics

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

<u>Location</u>

The subject property is located within the city of Roseville and is considered to have a good overall location. Comparable #4 is located within the city of Lincoln and is deemed to have an inferior overall location with respect to surrounding land uses, desirability, property values, etc. As such, an upward adjustment is warranted to this comparable for location. The balance of the comparables generally has the same overall desirability to the most probable buyer or user. No additional adjustments are deemed necessary in this category.

<u>Community Appeal</u>

All of the comparables have similar community appeal as the subject property. No adjustments are required.

<u>Number of Lots</u>

Generally, there is an inverse relationship between the number of lots and price per lot such that projects (or phases) with a greater number of lots sell for a lower price per lot compared to projects (or phases) with a fewer number of lots due to the discounting associated with larger transactions. None of the comparables has a lot count that differs enough from the subject's individual villages to warrant an adjustment.

<u>Lot Sizes</u>

In the following analysis, the sales require upward adjustments for inferior (smaller) lot sizes and downward adjustments for superior (larger) lot sizes compared to the subject's 8,400 square foot lot size category. The degree of adjustment is dependent on the size disparity between the comparables and the subject's 8,400 square foot lot size. A higher per unit adjustment factor is considered reasonable for Comparable #3 relative to the balance of the sales, since this development has significantly smaller lots compared to the subject property.

<u>Site Utility</u>

Differences in contour, drainage or soil conditions can affect the utility and, therefore, the market value of the lots. Each of the comparable properties possesses similar site utility as the subject property; no adjustments are necessary.

<u>Lot Premiums and Discounts</u>

This analysis is concerned with the hypothetical market value of the subject property in bulk. As such, premiums that would be achieved on an individual retail basis have been considered based upon their influence of the value of the property in bulk. Comparables #1 and #3 offer superior premiums due to positioning contiguous to open space. As such, these comparables are adjusted downward for this amenity. No other adjustments are necessary for differences in lot premiums.

<u>Zoning</u>

All of the sales have similar zoning compared to the subject property; no adjustments are required.

Loaded Lot Indicator – Sales Comparison Approach

In comparison to the subject's 8,400 square foot lot category, which forms the basis of our analysis, the data set required adjustments for discrepancy in typical lot size, both larger and smaller than 8,400 square feet. Significant interest in developable residential land throughout the Sacramento region has occurred during the past year; consequently, an upward adjustment to account for the improvement in market conditions was applied to one of the comparable sales. As discussed, additional adjustments were applied for differing physical characteristics between the comparables and the subject property. Utilizing the indications of the data set, and considering the similarities and dissimilarities between the comparables and the subject, an indicator of **$275,000 per loaded lot** for the standard 8,400 square foot lots offered by the subject property is concluded via the sales comparison approach. The estimate of hypothetical market value is inclusive of permits and fees and bonds (present value).

<u>Residual Analysis (Extraction Technique)</u>

As a supporting indication of hypothetical loaded lot value, we will utilize the extraction technique. The extraction technique considers the likely selling prices of homes to be offered at the subject developments and then reduces that value by the direct costs, indirect costs and developer's profit for the construction of a home. The result of this analysis represents an estimate of the residual lot value for an improved lot.

Based on the profile of the area residential market, and considering the approved lot sizes, the subject property could be developed with a range of new homes that would target the middle to upper-income buyer segments of the new home market.

Typical Home Price

Using the subject's standard lot size (8,400 square feet), the typical home price is estimated based on comparable subdivisions in the subject's market area. We have conducted a survey of residential subdivisions considered similar to the potential development within Fiddyment Ranch. The following table details the specifics of the market data collected. All of the developments are located within Roseville and Rocklin, and the data is taken from The Gregory Group Housing Report (1st Quarter 2006).

Project	Builder	Planned Units	No. of Units Sold	Lot Size (SF)	Total Monthly Sales Rate	Average Floor Plan (SF)	Average Base Price
Roseville							
Canyon View at Stoneridge	Elliott Homes	482	429	6,500	7.47	2,220	$573,200
Briarwood at Stoneridge	Elliott Homes	224	188	10,000	3.71	2,814	$680,825
Sevilla at Crocker Ranch	JMC Homes	177	169	4,500	4.98	2,026	$507,190
Morgan Greens	JMC Homes	117	87	9,900	2.83	3,178	$699,000
Riviera	JMC Homes	110	94	6,000	3.04	2,208	$571,190
Corrente	Syncon Homes	130	130	6,200	3.88	2,227	$498,240
Casa Bella	JMC Homes	210	71	6,600	2.48	2,940	$646,990
The Estates at Morgan Creek	JMC Homes	94	49	22,000	1.60	3,737	$1,022,157
Vianza	JMC Homes	71	51	10,000	2.28	3,277	$845,990
The Villas	Brenson Communities	200	189	Condo	8.93	1,025	$281,500
The Phoenician	Phoenician LLC	324	134	Condo	7.03	964	$295,000
Strada	John Laing Homes	242	171	2,200	8.97	1,357	$354,657
Waterstone	Lakemont Homes	82	51	20,000	2.55	3,342	$834,067
Campania	John Laing Homes	166	122	Condo	6.81	1,412	$344,990
Centro Vita	Parkland Homes	56	47	4,500	2.93	2,484	$546,102
Legacy at Doyle Ranch	Pulte Homes	126	119	11,000	5.50	3,523	$642,323
The Villages of The Galleria	Col Rich Homes	400	108	Condo	9.48	916	$230,490
Parkside Estates	JMC Homes	35	12	6,500	1.29	2,982	$578,323
Vista Oaks	Parkland Homes	42	35	7,956	3.20	2,869	$721,556
Longmeadow at Crocker Ranch	JMC Homes	372	31	3,000	4.30	1,500	$423,561
Altessa at Woodcreek	Tim Lewis Communities	85	5	4,704	3.07	2,097	$449,775
Legacy at Junction Blvd	D.R. Horton	59	0	4,000	0.00	1,537	$356,490
Villemont	Tim Lewis Communities	248	12	Cluster	4.69	1,347	$349,650
Willow Creek	Standard Pacific	76	4	21,780	2.87	3,949	$689,667
Amberley Place - Village 7	Pulte Homes	111	4	7,150	1.33	2,842	$578,000
Amberley Place - Village 3	Pulte Homes	102	5	5,775	1.63	2,280	$502,500
Rocklin							
Barrington Hills	Snyder Development	62	61	12,500	1.41	899,740	$899,740
Claremont at Whitney Oaks	Signature Properties	109	48	10,000	3.38	727,549	$727,549
Hidden Creek	Regis Homes	47	30	3,000	3.07	438,833	$438,833
Atlantis	Avant Garde Development LLC	250	5	Condo	0.77	370,900	$370,900
Hearthstone	D.R. Horton	93	24	Condo	3.33	253,841	$253,841
Remington at Whitney Ranch	Standard Pacific	59	4	9,100	1.01	734,000	$734,000
Shady Lane at Whitney Ranch	William Lyon Homes	96	8	4,000	1.81	447,990	$447,990
Black Oak at Whitney Ranch	Centex Homes	78	4	11,040	1.91	811,490	$811,490
Carsten Crossings	Grupe Development	144	17	6,050	5.63	496,990	$496,990
Caspian Run at Whitney Ranch	Standard Pacific	92	10	7,150	3.91	665,667	$665,667
Lariate Ridge at Whitney Ranch	Standard Pacific	153	5	6,050	1.95	578,333	$578,333
Twin Oaks at Whitney Ranch	William Lyon Homes	92	6	7,800	3.69	653,657	$653,657
Sierra Sky at Whitney Ranch	Shea Homes	134	0	6,050	0.00	628,233	$628,233
Wisteria at Whitney Ranch	Christopherson Homes	60	0	9,000	0.00	738,658	$738,658
The Terraces at Stanford Ranch	Apex Construction Services	132	2	Condo	2.87	361,990	$361,990

Based on the type of product currently being offered in the Roseville and Rocklin submarkets, and given the specifics of the subject property, we have estimated a hypothetical average floor plan of

2,800 square feet. The average base price is estimated based on an examination of the base prices in relation to living area for comparable homes. Considering these factors, an average base price of $620,000 is concluded. This typical floor plan will serve as the basis for the extraction technique.

Present Value of Bonds

The subject is encumbered by the Fiddyment Ranch Community Facilities District (CFD) No. 1 bond, which has a maximum annual special tax of $1,300 per unit for the single-family residential component. The hypothetical floor plan is adjusted to account for the impact of bond indebtedness on value. We have established a present value amount for the bond encumbrance based on the annual assessment payment, an interest rate of 6.0% and the 30-year maturity period. The adjustment equates to $17,900, rounded.

Construction Costs

Construction costs typically include both direct and indirect construction costs. Direct construction costs include all expenditures for the labor and materials needed in the actual construction of the units. Indirect construction items typically include site supervision, field office, maintenance and security, plan check fees, architecture and engineering. Comparable projects were surveyed in an effort to estimate direct construction costs. The following table details cost estimates reported from other projects within Roseville and Rocklin.

Project Location	Effective Date	Floor Plan (SF)	Direct Costs per SF
Rocklin	2006	2,952	$75.00
		3,090	$73.00
		3,339	$72.00
		3,910	$70.00
Roseville	2006	1,474	$72.91
		1,842	$63.96
		2,003	$66.94
		2,284	$61.81
		2,595	$61.00
		2,606	$57.91
		3,071	$56.11
Rocklin	2006	3,325	$86.68
		3,239	$95.08
		3,490	$98.20
		4,000	$86.28
		3,606	$82.40
Roseville	2005	1,142	$82.67
(Cluster Housing)		1,233	$75.45
		1,376	$70.75
		1,639	$66.01
Roseville	2005	2,462	$68.52 - $72.47
		2,780	$73.73 - $76.23
		3,059	$61.88 - $64.68
		3,576	$60.26 - $63.37
		4,651	$60.58 - $63.24

Analyzing the cost comparables presented, average direct costs in the amount of $75 per square foot are estimated for the subject property. As further support, we analyzed data contained in the Residential Cost Handbook, published by the Marshall and Swift Corporation. Based on that comparison, the direct cost estimate appears reasonable.

The following list itemizes some of the typical components that generally comprise indirect costs:

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

Conversations with homebuilders indicate the indirect costs generally range anywhere from 5% to 15% of the direct costs. Based on the experience of other residential projects in the region, a factor of 12% of direct costs will be utilized to account for the indirect items.

General and Administrative

General and administrative expenses consist of management fees, liability and fire insurance, inspection fees, appraisal fees, legal and accounting fees, and copying or publication costs. This expense category typically ranges from 2.5% to 4.0% of revenue, depending on the specifics of the development. Based on industry surveys, we have used 3.0% for general and administrative expenses.

Marketing and Sales

These expenses typically consist of advertising and promotion, closing costs, sales operations, and sales commissions. The expenses are expressed as a percentage of the gross sales revenue. The range of marketing and sales expenses typically found in projects within the subject's market area is 5.0% to 6.5%. Considering the specifics of the subject property, a figure of 5.0%, or 3.0% for marketing and 2.0% for sales, is used in the marketing and sales expense category.

Developer's Overhead and Profit

Profit is based on the perceived risk associated with the development. Under the existing market conditions, low profit expectations are the result of the market's focus on more affordable projects with faster sales rates. Higher profit expectations are common in projects with more risk, such as developments where sales rates are slower, project size produces an extended holding period or the product type is considered weak or untested.

Elements affecting profit include location, supply/demand, anticipated risk, construction time frame and project type. Another element considered in profit expectations is for the development stage of a project. First phases typically generate a lower profit margin due to cautious or conservative pricing, as new subdivisions in competitive areas must become established to generate a fair market share. Additionally, up front development costs on first phases can produce lower profit margins.

Developer surveys conducted during the current real estate cycle elicited the following responses:

> John Johnson of Pulte Homes indicated they used a 7% static profit for starter homes in affordable markets but quickly moved into higher ranges for areas with entitlement risk.
>
> Michael Courtney of Standard Pacific indicated 8% static profits were tolerable for starter homes and a 10% figure would be required for high-end homes, even for fast moving markets and product types.
>
> Beck Properties indicated a total profit margin of 10.4% to 11.7% calculated as gross sales less project costs for several products in the community of Brentwood.
>
> A source at Lennar, who requested anonymity, indicated standard subdivision static profits are in the 8% range for strong selling products in accepted, non-pioneering locations. IRR's are commonly as low as the low 20% range in the absence of price trending.

Based on current market conditions in the subject's market area and the responses provided in the developer survey, and given the subject's larger typical lot sizes and homes, a profit margin of 12% of the indicated sale price is considered reasonable for the hypothetical 2,800 square foot plan.

Conclusion – Residual Analysis

The residual analysis, based upon the cited factors, is presented on the following page. As discussed under the *Highest and Best Use*, the subject developments are considered most profitable as new home production subdivisions targeted towards middle to upper-income homebuyers. The extraction technique is similar to an analysis performed by a merchant builder and does not require an absorption analysis or any further discounting.

Living Area (SF)	2,800
Sale Price	**$620,000**
Special Tax	**$17,900**
Total Consideration	**$637,900**
Less:	
Direct costs of construction ($75 per sf)	($210,000)
Indirect costs at 12% of direct costs	($25,200)
General and administrative (3% of sales price)	($18,600)
Sales and marketing (5% of sales price)	($31,000)
Developer's profit	($74,400)
Loaded Lot Value	$278,700
Rounded	**$279,000**

Reconciliation of Loaded Lot Value

The value estimates derived for the typical village (8,400 square foot lots) within the subject property are presented below:

Sales Comparison Approach	**$275,000**
Extraction Technique	**$279,000**

Generally, the sales comparison approach is deemed the best overall method in the valuation of vacant land. The extraction technique was employed as the supporting indication of value. Under this premise, the land value of the subject property is derived as a remainder amount based on the most likely end product. As illustrated above, the value indicator derived via the extraction technique is reasonably similar to the value concluded via the sales comparison approach. Considering the information cited above, we have concluded a hypothetical loaded lot value of **$275,000 per lot** for the subject's 8,400 square foot lots, consistent with the indication given by the sales comparison approach.

Loaded Lot Indicators

Standard Villages

Using the 8,400 square foot base lot size, which represents the largest single group of lots in terms of lot count, we have made qualitative adjustments to the remaining category of lots to derive final estimates of value for each lot grouping represented within the subject property. In addition to lot size discrepancy, project location and configuration are also considered in the valuation of the residential components. The following table details the hypothetical loaded lot value conclusions for each lot size category.

Typical Lot Size (SF)	Description	Loaded Lot Value
2,625	Standard	$216,000
3,150-3,200	Standard	$222,000
4,725	Standard	$246,000
5,000	Standard	$248,000
5,775	Standard	$254,000
6,050	Standard	$256,000
6,600	Standard	$260,000
7,800	Standard	$270,000
8,400	**Standard**	**$275,000**
9,600	Standard	$284,000
10,800	Standard	$294,000

Affordable Housing Villages

As noted, Village F-16B has lots that are deed-restricted for affordable housing. According to the City of Roseville's Housing and Redevelopment Department, the city's affordable housing requirement stipulates that the units are to be affordable to buyers earning 81% to 100% of median income within the four-county Sacramento Region: Sacramento County, Placer County, El Dorado County and Yolo County. The maximum value of an affordable unit is calculated based upon 30% of the gross median income, as specified, to be available for all costs related to housing, including any/all bond encumbrances, principle and interest payments on the home loan, taxes and insurance. The interest rate reflects current 30-year fixed interest rates. Based upon the cited factors, the City of Roseville Economic and Community Services Department estimates the average base prices will range from $170,000 to $280,000. For purposes of our analysis, we will utilize a base price of $220,000 (2,000 sf plan) for the affordable housing units. Once again, the present value of the special assessment obligation is included to reflect the total consideration base price. An additional extraction technique is employed to estimate the market value of the affordable housing lots.

Living Area (SF)	2,000
Sale Price	**$220,000**
Special Tax	**$6,900**
Total Consideration	**$226,900**
Less:	
Direct costs of construction ($75 per sf)	($150,000)
Indirect costs at 12% of direct costs	($18,000)
General and administrative (3% of sales price)	($6,600)
Sales and marketing (5% of sales price)	($11,000)
Developer's profit	($22,000)
Loaded Lot Value	$19,300
Rounded	**$20,000**

To establish a loaded lot indicator for Village F-16B, we will calculate a weighted average of our hypothetical market value conclusions for the standard and affordable housing lots. The weighted average loaded lot indicator is estimated below:

	Typical Lot Size (SF)	No. of Lots	Loaded Lot Value Conclusion		Ratio		Weighted Loaded Lot Value	Conclusion (Rounded)
Village F-16B								
Standard Lots	2,625	64	$216,000	x	58%	=	$125,673	**$158,000**
Affordable Housing Lots	2,625	46	$20,000	x	42%	=	$8,364	

Conclusion of Revenue – Single-Family Residential Component

Loaded lot values were previously estimated for each of the separate lot size configurations and/or villages. In order to estimate the total revenue for the subject's single-family residential component, deductions are required for site development costs and permits and fees. The site development costs are based on the developer's budget and appear reasonable relative to comparable projects located throughout the Greater Sacramento region. We requested site development cost estimates for each of the individual villages; however, the budget was only available for Phase I of the subject development and four villages within Phase II. Therefore, in calculating revenues for the balance of the villages, we analyzed the development budgets provided for use in our analysis and applied average site development costs. If, at some future date, the actual improvement costs are reported to be different from the projected costs utilized in our analysis, the appraiser reserves the right to amend the value opinion(s) contained herein. Similar to the profit factor utilized in deriving the finished lot indicator for the comparable sales (unimproved lot comparables), a profit factor of 10% is also incorporated to the site development costs. We will deduct estimated site development costs from the loaded lot indicators for each of the individual villages.

It is noted that site development for several villages within Fiddyment Ranch has been completed; therefore, no deductions for site costs are required to these villages. Other lots within this project are at various stages of development (unimproved and partially improved). The estimate of revenue takes into account any site development costs that have been incurred to date.

The subject's permits and fees pertaining to home construction costs average approximately $44,330 per unit, which is similar relative to competing projects located throughout the market area. However, the off-site improvements to be funded by the master developer and the District will ultimately serve future developments in the area. Consequently, the master developer will receive fee credits from the City of Roseville upon obtaining building permit. These fee credits are projected at $5,014 per unit. Thus, the net permits and fees are estimated at $39,300 per unit, rounded.

Revenues are generated by the sale of each of the villages and will be integrated into the discounted cash flow analysis (subdivision development method) in order to reflect the bulk, or wholesale, hypothetical market value of the subject property. The revenue for the single-family residential component is estimated in the following table and is arranged by village.

Phase	Village	No. of Lots	Typical Lot Size (SF)	Concluded Loaded Lot Value	Permits and Fees	In-Tract Dev. Costs	Value Per Lot	Extension	Rounded
Phase I	F-1A	93	5,000	$248,000	($39,300)	$0	$208,700	$19,409,100	**$19,410,000**
Phase I	F-1B	83	6,600	$260,000	($39,300)	$0	$220,700	$18,318,100	**$18,320,000**
Phase I	F-2	127	6,050	$256,000	($39,300)	$0	$216,700	$27,520,900	**$27,520,000**
Phase I	F-3	135	4,725	$246,000	($39,300)	$0	$206,700	$27,904,500	**$27,900,000**
Phase I	F-4	77	9,600	$284,000	($39,300)	($8,181)	$236,519	$18,211,986	**$18,210,000**
Phase I	F-5A	75	7,800	$270,000	($39,300)	($40,000)	$190,700	$14,302,500	**$14,300,000**
Phase I	F-5B	82	7,800	$270,000	($39,300)	($40,000)	$190,700	$15,637,400	**$15,640,000**
Phase I	F-17	131	3,200	$222,000	($39,300)	($25,000)	$157,700	$20,658,700	**$20,660,000**
Phase II	F-9A	95	10,800	$294,000	($39,300)	($40,000)	$214,700	$20,396,500	**$20,400,000**
Phase II	F-9B	111	7,800	$270,000	($39,300)	($40,000)	$190,700	$21,167,700	**$21,170,000**
Phase II	F-9C	104	6,600	$260,000	($39,300)	($35,000)	$185,700	$19,312,800	**$19,310,000**
Phase II	F-14A	97	6,050	$256,000	($39,300)	($38,087)	$178,613	$17,325,492	**$17,330,000**
Phase II	F-14B	107	4,725	$246,000	($39,300)	($35,510)	$171,190	$18,317,383	**$18,320,000**
Phase II	F-14C	111	5,775	$254,000	($39,300)	($41,673)	$173,027	$19,205,997	**$19,210,000**
Phase II	F-14D	107	6,600	$260,000	($39,300)	($48,038)	$172,662	$18,474,794	**$18,470,000**
Phase II	F-15A	80	4,725	$246,000	($39,300)	($35,000)	$171,700	$13,736,000	**$13,740,000**
Phase II	F-15B	102	3,150	$222,000	($39,300)	($25,000)	$157,700	$16,085,400	**$16,090,000**
Phase II	F-15C	98	3,200	$222,000	($39,300)	($25,000)	$157,700	$15,454,600	**$15,450,000**
Phase II	F-16A	96	3,200	$222,000	($39,300)	($25,000)	$157,700	$15,139,200	**$15,140,000**
Phase II	F-16B	110	2,625	$158,000	($39,300)	($20,000)	$98,700	$10,857,000	**$10,860,000**
Phase II	F-19	108	6,050	$256,000	($39,300)	($35,000)	$181,700	$19,623,600	**$19,620,000**
Phase III	F-6A	112	8,400	$275,000	($39,300)	($40,000)	$195,700	$21,918,400	**$21,920,000**
Phase III	F-6B	75	8,400	$275,000	($39,300)	($40,000)	$195,700	$14,677,500	**$14,680,000**
Phase III	F-7	111	8,400	$275,000	($39,300)	($40,000)	$195,700	$21,722,700	**$21,720,000**
Phase III	F-8	91	7,800	$270,000	($39,300)	($40,000)	$190,700	$17,353,700	**$17,350,000**
Phase III	F-10A	143	9,600	$284,000	($39,300)	($40,000)	$204,700	$29,272,100	**$29,270,000**
Phase III	F-10B	84	8,400	$275,000	($39,300)	($40,000)	$195,700	$16,438,800	**$16,440,000**
Phase III	F-11	99	8,400	$275,000	($39,300)	($40,000)	$195,700	$19,374,300	**$19,370,000**
Phase III	F-12	167	8,400	$275,000	($39,300)	($40,000)	$195,700	$32,681,900	**$32,680,000**
Phase III	F-13A	76	9,600	$284,000	($39,300)	($40,000)	$204,700	$15,557,200	**$15,560,000**
Phase III	F-13B	78	8,400	$275,000	($39,300)	($40,000)	$195,700	$15,264,600	**$15,260,000**
Totals		**3,165**							**$591,320,000**

Sales Comparison Approach – Multifamily Residential Component

In this section, we will estimate the hypothetical market value of the subject's multifamily revenue component. The sales comparison approach will be employed to estimate value for the properties (or portions thereof) that do not have an affordable housing requirement. These sites are detailed below:

Phase	Designation	Proposed Land Use	Acreage	No. of Units
Phase I	F-21 (portion)	HDR	12.6	182
Phase I	F-22 (portion)	HDR	6.8	82
Phase I	F-23 (portion)	HDR	4.5	64
Phase I	F-24 (portion)	HDR	7.2	114
Phase II	F-25 (portion)	HDR	4.5	70
Phase II	F-26 (portion)	HDR	4.6	70
Phase III	F-20 (portion)	HDR	3.0	52

Note: HDR - High Density Residential

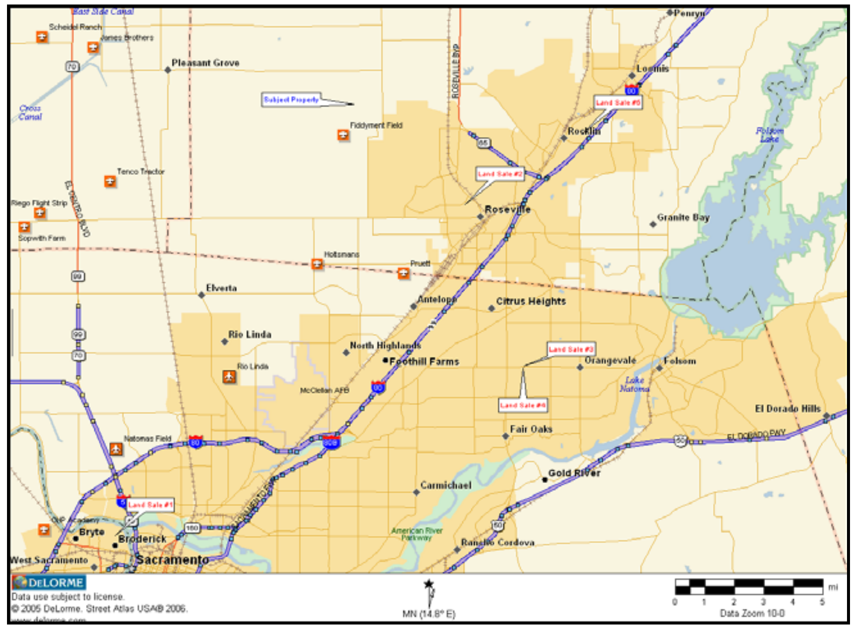
Due to the fact the balance of the multifamily units will be encumbered by an affordable housing requirement, the comparable sales utilized in our analysis are not deemed reliable indicators of value. Thus, in order to develop opinions of hypothetical market value for affordable housing portions of Parcels F-20 through F-26, we will rely on the extraction technique, which will be presented following the valuation of the properties without deed restrictions.

Under the sales comparison approach, consideration is given to factors such as property rights conveyed, financing, conditions of sale and market appreciation or depreciation since the date of sale. Differences in physical characteristics, such as location, parcel area, shape, topography, onsite and offsite improvements, utilities and zoning, are also considered in the analysis. The basis of comparison is price per developable unit.

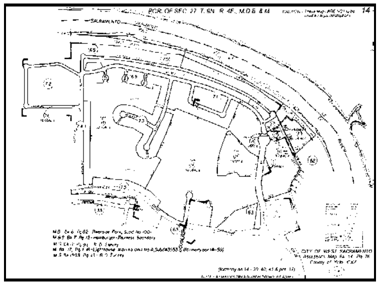
The market data investigation considers land sales within several submarkets throughout the Sacramento region. In the analysis that follows, we will present and analyze five comparable sales. We will begin by presenting a summary tabulation on the following page, along with a location map. Detailed sales sheets are presented after the summary table, followed by a discussion that leads to our conclusions of hypothetical market value. As detailed in the *Highest and Best Use* for the multifamily residential component, the maximally productive use of this component is for development of for-sale projects, such as condominium or townhouse subdivisions, rather than for-rent apartment projects. Therefore, the land sales utilized in this analysis consist of multifamily properties with entitlements for attached residential development.

MULTIFAMILY LAND SALES

Sale No.	Property Identification	Sale Date	Sale Price + PV Bonds Total Consid.	Land Area (Acres)	No. of Units	Density (Units/Acre)	Price/Unit	Intended Use
1	NEC of Fountain Dr. and Lighthouse Dr. West Sacramento APNs: 014-760-051, 014-760-221, 014-620-071	Jul-05	$ 13,451,724 $ - $ 13,451,724	9.24	132	14.29	$101,907	Condos
2	SEC of Junction Blvd. and Barbara Wy. Roseville APNs: 011-250-066; 011-260-084 and -085	Mar-05	$ 5,700,000 $ - $ 5,700,000	4.79	103	21.49	$55,340	Condos
3	East of Fair Oaks Blvd., North of Greenback Lane Citrus Heights APN: 261-0010-002	Dec-04	$ 17,100,000 $ - $ 17,100,000	20.12	197	9.79	$86,802	Condos
4	SEQ of Fair Oaks Boulevard and Greenback Lane Fair Oaks APN: 261-0020-006	Jul-04	$ 2,600,000 $ - $ 2,600,000	2.90	47	16.21	$55,319	Condos
5	East of Racetrack Road, north of Granite Drive Rocklin APN: 045-101-066	Listing	$ 6,000,000 $ - $ 6,000,000	7.30	80	10.96	$75,000	MDR



MULTIFAMILY LAND SALE 1



Property Identification:
Multifamily Land

NEC of Fountain Drive and
Lighthouse Drive
West Sacramento
Yolo County

Map Grid: 296-J1
APN: 014-760-051, 014-760-221,
014-620-071

Sale Data:

Grantor	Undisclosed
Grantee	West Riverview, LLC
Sale Date	July 2005
Deed Book Page	N/Av
Property Rights	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	$13,451,724
Present Value of Bonds	$0

Land Data:

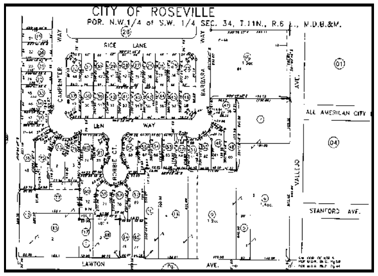
Land Area (SF)	402,494
Land Area (Acres)	9.24
Zoning Code	R-1
Shape	Irregular
Street Frontage	Along Fountain Drive and Lighthouse Drive
Topography	Generally Level
Off-Site Improvements	All to Site
On-Site Improvements	None
No. of Planned Units	132
Density	14.29

Indicators:

Sale Price per Developable Unit	$101,907
PV Bonds per Developable Unit	$0

Remarks:
This comparable is an infill property in West Sacramento. The purchase price is $13,451,724, and the property is planned for 132 condominium units. This results in a sale price of $101,907 per unit. The property does not have a special assessment obligation relating to Mello-Roos or Assessment District bonds.

MULTIFAMILY LAND SALE 2



Property Identification:
Multifamily Land

Southeast corner of Junction
Boulevard and Barbara Way
Roseville
Placer County

Map Grid: 219-G7
APN: 011-250-066; 011-260-084
and -085

Sale Data:

Grantor	City Developers Corporation
Grantee	Cresleigh Homes Corporation
Sale Date	3/2005
Deed Book Page	151434
Property Rights	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	$5,700,000
Present Value of Bonds	$0

Land Data:

Land Area (SF)	208,756
Land Area (Acres)	4.79
Zoning Code	R3
Shape	Irregular
Street Frontage	Along Junction Boulevard
Topography	Generally Level
Off-Site Improvements	All to Site
On-Site Improvements	None
No. of Planned Units	103
Density	21.49

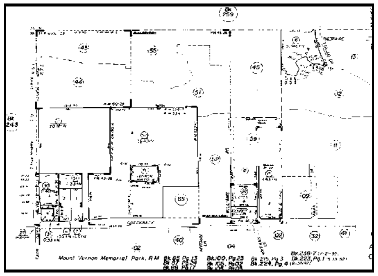
Indicators:

Sale Price per Developable Unit	$55,340
PV Bonds per Developable Unit	$0

Remarks:
The purchase price is $5,700,000, which equates to $55,340 per unit based on the approved tentative map for development of 103 units. The contract states that if the subject's allowable number of units changes, the purchase price will be adjusted based on a price of $55,340 per unit. Escrow closed in May 2005.

MULTIFAMILY LAND SALE 3

Property Identification:



Multifamily Land

East of Fair Oaks Boulevard, north of Greenback Lane
Citrus Heights
Sacramento County

Map Grid: 260-B4
APN: 261-0010-002

Sale Data:

Grantor	Undisclosed
Grantee	Year Louie Pappas 10
Sale Date	12/2004
Deed Book Page	504151816
Property Rights	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	$17,100,000
Present Value of Bonds	$0

Land Data:

Land Area (SF)	876,427
Land Area (Acres)	20.12
Zoning Code	RD-10
Shape	Irregular
Street Frontage	Along Greenback Lane
Topography	Generally Level
Off-Site Improvements	All to Site
On-Site Improvements	None
No. of Planned Units	197
Density	9.79

Indicators:

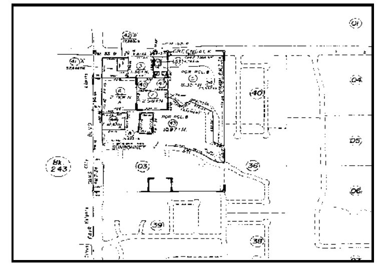
Sale Price per Developable Unit	$86,802
PV Bonds per Developable Unit	$0

Remarks:

Formerly the site of a drive-in theater, the buyer purchased this property in December 2004 with the intention of constructing a 197-unit condominium project.

MULTIFAMILY LAND SALE 4

Property Identification:



Multifamily Land

Southeast quadrant of Fair Oaks Boulevard and Greenback Lane
Fair Oaks
Sacramento County

Map Grid: 277-A5
APN: 261-0020-006

Sale Data:

Grantor	Sixells LLC
Grantee	D.R. Horton Inc.
Sale Date	7/2004
Deed Book Page	N/Av
Property Rights	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	$2,600,000
Present Value of Bonds	$0

Land Data:

Land Area (SF)	126,324
Land Area (Acres)	2.90
Zoning Code	LC
Shape	Irregular
Street Frontage	Along Fair Oaks Boulevard
Topography	Generally Level
Off-Site Improvements	All to Site
On-Site Improvements	None
No. of Planned Units	47
Density	16.21

Indicators:

Sale Price per Developable Unit	$55,319
PV Bonds per Developable Unit	$0

Remarks:

The buyer purchased this property with the intent of constructing a 47-unit condominium project to be known as Crest at Creekside. The purchase price of $2,600,000 equates to $55,319 per developable unit.

MULTIFAMILY LAND SALE 5

Property Identification:

Multifamily Land

East of Racetrack Road, north of
Granite Drive,
Rocklin
Placer County

Map Grid: 220-F3
APN: 045-101-066

Sale Data:

Grantor	Granite Rock LLC
Grantee	N/Ap
Sale Date	N/Ap (Current listing)
Deed Book Page	N/Ap
Property Rights	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	$6,000,000
Present Value of Bonds	$0

Land Data:

Land Area (SF)	317,988
Land Area (Acres)	7.30
Zoning Code	MDR
Shape	Irregular
Street Frontage	Along Racetrack Road
Topography	Generally Level
Off-Site Improvements	All to Site
On-Site Improvements	None
No. of Planned Units	80
Density	10.96

Indicators:

Sale Price per Developable Unit	$75,000
PV Bonds per Developable Unit	$0

Remarks:

This current listing represents 7.30 acres of land offered for sale at $6,000,000, or $75,000 per potential unit. The price is contingent on tentative map approval, which is in process. This property is not encumbered by special taxes.

Adjustment Discussion

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

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

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

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

Property Rights Conveyed

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

Financing Terms

In analyzing the comparables, it is necessary to adjust for financing terms that differ from market terms. Typically, if the buyer retained third party financing (other than the seller) for the purpose of purchasing the property, a cash price is presumed and no adjustment is required. However, in instances whereby the seller provides financing as a debt instrument, a premium may have been paid by the buyer for below market financing terms or a discount may have been demanded by the buyer if the financing terms were above market. The premium or discounted price must then be adjusted to a cash equivalent basis. Each of the comparable sales represents a cash to the seller transaction and, as such, no adjustments are required.

Conditions of Sale

Adverse conditions of sale can account for a significant discrepancy from the sales price actually paid compared to that of the market. This discrepancy in price is generally attributed to the motivations of the buyer and the seller.

Certain conditions of sale are considered to be non-market and may include the following:

- a seller acting under duress,
- a lack of exposure to the open market,
- an inter-family or inter-business transaction for the sake of family or business interest,
- an unusual tax consideration,
- a premium paid for site assemblage,
- a sale at legal auction, or
- an eminent domain proceeding.

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

Market Condition (Time)

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

In evaluating market conditions, changes between the transaction dates for the comparable sales and the effective date of this appraisal may warrant adjustment; however, if market conditions have not changed, then no time adjustment is required. Due to the fact that Comparables #3 and #4 transferred in 2004, upward adjustments are warranted to account for the improvement in market conditions since the sale dates. Conversely, Comparable #5 consists of a current listing and requires a downward adjustment to reflect typical negotiations between the buyer and the seller over the list price.

Physical Characteristics

The physical characteristics of a property can impact the selling price. Those that may impact value are discussed on the following pages.

Location

Multifamily land sale comparables were analyzed from several submarkets of Sacramento. In general, all of the comparables are similar in location in that they are equal distance from employment, parks, services, etc., and have similar economic characteristics. The comparables have the same overall desirability to the most probable buyer or user in the Sacramento market for multifamily use; therefore, no adjustments are required for location.

Parcel Area

In general, due to economies of scale, the market exhibits an inverse relationship between size and price per unit (acre/sf/unit), such that larger parcels tend to sell for a lower price per unit than smaller parcels, all else being equal. However, with multifamily land, developers are typically willing to pay a higher price per acre for larger parcels in order to ensure synergy with their product, versus a small, in-fill project, which does not enjoy project identity. As such, smaller projects generally incur greater costs per unit for marketing efforts. Therefore, in comparison to the subject parcels, smaller properties require upward adjustments, while larger properties require downward adjustments for the discrepancy in land area.

Visibility/Accessibility

The visibility and accessibility of a property can have a direct impact on value. For example, a property with limited access is considered to be an inferior position compared to a property with open accessibility. Conversely, if a property has good visibility, or is situated in proximity to major linkages, this is considered to be a superior site amenity in comparison to a property with limited visibility. Each of the comparable sales has similar visibility and accessibility characteristics as the subject. Thus, no adjustments are required.

Density

In general, projects with lower densities offer superior appeal due to additional open space associated with them. With the exception of Comparables #3 and #5, all of the comparables have a similar project density in comparison to the subject property. Comparables #3 and #5 have lower densities, which warrants a downward adjustment.

Utility/Topography

Differences in contour, drainage, or soil conditions can affect the utility and, therefore, the market value of the property. All of the comparable properties offer terrain with similar utility. As such, no adjustments are necessary when comparing the sales with the subject.

Offsite Improvements

Under the hypothetical condition for which the subject property is being valued, all offsite improvements are assumed to be in place. Similarly, each of the comparable sales possesses offsite improvements and, therefore, no adjustments are necessary.

Conclusion of Revenue – Multifamily Parcels Without Deed Restrictions

Due to the gradually increasing median new home price in the Sacramento Region, housing in the area is increasingly more unaffordable to entry-level homebuyers, who are being forced to either purchase homes in outlying areas, such as Sutter and Yuba Counties, or search for an alternative housing product. As result, demand for higher density housing in the area has increased significantly over the past several years.

During our investigation, we identified several multifamily land sales located throughout the Greater Sacramento Region. In total, we have presented five comparables that were analyzed to estimate the hypothetical revenue for the villages (or portions thereof) that do not have a deed restriction for affordable housing. Based on the indication from the data set, and in consideration of the adjustments detailed on the previous pages, a hypothetical market value of $70,000 per developable unit is considered reasonable. Applying this unit indicator yields the following conclusions of revenue.

Phase	Designation	Acreage	No. of Units	Concluded Value / Unit	Revenue (Rd.)
Phase I	F-21 (portion)	12.6	182	$70,000	**$12,740,000**
Phase I	F-22 (portion)	6.8	82	$70,000	**$5,740,000**
Phase I	F-23 (portion)	4.5	64	$70,000	**$4,480,000**
Phase I	F-24 (portion)	7.2	114	$70,000	**$7,980,000**
Phase II	F-25 (portion)	4.5	70	$70,000	**$4,900,000**
Phase II	F-26 (portion)	4.6	70	$70,000	**$4,900,000**
Phase III	F-20 (portion)	3.0	52	$70,000	**$3,640,000**

Extraction Technique

As noted, portions of Parcels F-20 through F-26 are encumbered by an affordable housing requirement; thus, the comparable sales utilized in our analysis are not deemed reliable indicators of value, as none of the sales have stipulations requiring inclusionary housing. In order to develop an opinion of hypothetical market value for these sites, we will rely on the extraction technique, which considers the most probable selling price of apartment complexes on the sites and then reduces that value by the direct costs, indirect costs and developer's profit associated with construction. The result of this analysis represents an estimate of residual land value for each parcel.

Using the maximum number of developable units approved for each site within the West Roseville Specific Plan, we will estimate the hypothetical market value of apartment complexes by employing the income capitalization approach to value. Considering the lack of recent sales relating to affordable housing apartments (or sites) in the subject's market area, the sales comparison approach is not considered appropriate for this land use component.

Income Capitalization Approach

For income-producing real estate, the future earning power of the property is widely regarded as the single most critical element affecting its value. Based on the inclusionary housing requirement, Parcels F-20 through F-26 have a designated amount of units with restricted rents at below market rates.

The direct capitalization method will be exclusively relied upon in the income capitalization approach. Direct capitalization converts an estimate of a single year's net operating income into an indication of value in one direct step. This step is accomplished either by dividing the income estimate by the relevant income rate (an overall capitalization rate), or by multiplying the income estimate by a proper factor (such as a gross, effective gross or net income multiplier). In the subject's market area, buyers and sellers typically handle direct capitalization by using an overall rate as opposed to a multiplier. Therefore, this method of direct capitalization will be employed in the analysis.

The components of the direct capitalization method are tabulated as follows:

- Potential Gross Income
- Vacancy and Collection Loss
- Operating Expenses
- Overall Capitalization Rate

These four components are discussed on the following pages and will be combined at the end of this section to provide a hypothetical value estimate of the subject property as improved.

Potential Gross Income

According to the Development Agreement and the West Roseville Specific Plan, a stipulated number of units are to be designated for very low-income and low-income families upon construction of multifamily housing complexes on Parcels F-20 through F-26. Very-low income families are defined as those earning less than 50% of median income within the four-county Sacramento Region, while low-income families earn 51% to 80% of median income. The maximum rent attributable to an affordable unit is calculated based upon 30% of the gross median income, as specified, to be available for any/all bond encumbrances, HOA fees and insurance. In consideration of the cited factors, the City of Roseville Economic and Community Services Department estimates the average rents at $720 per unit for very-low income households and $1,150 per unit for low-income households. These projections are based on three-person families. The following table details the allocation of units for Parcels F-20 through F-26.

Parcel	Low-Income Units	Very Low-Income Units
F-20	41	27
F-21	37	0
F-22	22	22
F-23	64	32
F-24	40	46
F-25	0	20
F-26	0	20

Miscellaneous Income

In addition to the rental income, apartment complexes generate miscellaneous income. Miscellaneous earnings include application fees, forfeited security deposits, credit checks and late charges. Additional miscellaneous income at apartment complexes is produced by coin-operated laundry facilities. We have estimated the miscellaneous income to average $10,000 per year, based on the historical experience of similar projects in the area.

Total Potential Gross Income

The total potential gross income for the subject's hypothetical developments consists of affordable housing rent and miscellaneous income. This income is calculated in the *Income Capitalization Approach* summary sheets at the end of this section.

Vacancy and Collection Loss

This portion of the analysis considers the valuation of the subject property at stabilized occupancy. Stabilized occupancy is defined as follows:

> Occupancy at that point in time when abnormalities in supply and demand or any additional transitory conditions cease to exist and the existing conditions are those expected to continue over the economic life of the property; the optimum range of long-term occupancy that an income-producing real estate project is expected to achieve under competent management after exposure for leasing in the open market for a reasonable period of time at terms and conditions comparable to competitive offerings. [16]

[16] The Dictionary of Real Estate Appraisal, 4th ed. (Chicago: Appraisal Institute, 2002), 274.

In keeping with the concept of stabilized occupancy, an allowance for vacancy and collection loss must be considered for reductions in potential income attributable to vacancies, tenant turnover and nonpayment of rent. After taking into account all market factors, a stabilized vacancy rate for the subject property of 5% is considered reasonable.

Operating Expenses

Our estimate of pro forma operating expenses for the subject property is based primarily on historical operating expenses reported from similar properties located throughout the subject's market area. Generally, operating expenses for rent-restricted multifamily projects are higher relative to conventional apartment complexes due to higher management, auditing and bookkeeping costs, as well as higher reserve requirements. Only those expenses that are the responsibility of the owner are detailed below and included in the *Income Capitalization Approach* table at the end of this section.

Property Taxes and Assessments: The subject property has a tax rate of 1.0743%. We have estimated property taxes by applying this tax rate to our appraised value conclusions via the income capitalization approach, in addition to any direct charges. The special assessments are also included.

Building Insurance: Insurance for similar properties in the subject's market area typically ranges from $100 to $400/unit/year. Based on historical insurance costs for comparable properties, an insurance allowance of $200/unit/year appears reasonable for the subject property.

Utilities: The utilities expense accounts for the owner's responsibility for water, sewer and garbage. In total, these utilities are estimated at $500/unit/year.

Maintenance and Repairs: Maintenance and repair costs include minor repairs and maintenance to the interior and exterior of the property. For purposes of our analysis, we will use a maintenance and repairs allowance of $500/unit/year.

Management: Property management expenses for conventional apartment complexes in the subject's market area are typically between $300 to $400/unit/year. However, subsidized apartments typically incur higher management fees. Considering this trend, a management fee of $1,000/unit/year is concluded.

Replacement Reserves: As for reserves for replacement, the subject's improvements feature a number of short-lived items, such as concrete and asphalt paving, mechanical systems, paint, flooring, roof surfaces, etc. These items will eventually require replacement during a typical investment-holding period. Property owners typically do not set aside funds each year for the ultimate replacement of such short-lived items. However, since these items generally have a shorter economic life than structures as a whole, and are not subject to recovery under a typical maintenance budget, a reserve account should be considered. Under this methodology, the property owner deposits funds annually so that they earn interest and will ultimately be available to pay for the replacement of the short-lived items. This is also referred to as a sinking fund technique. This type of analysis models cash outflows for replacements as a level annuity. It is our opinion that an annual reserve deposit of $200/unit/year should be considered in the valuation process.

Overall Capitalization Rate

The overall capitalization rate is the ratio between the net operating income as of the date of value and a property's cash equivalent sales price. The overall rate is a reflection of the present value of anticipated future benefits and can reasonably be viewed as a function of risk. For instance the riskier the investment, the higher the overall capitalization rate. Typically, the capitalization rate to be applied to the subject's net operating income is based on an analysis and interpretation of market transactions. However, due to the limited amount of transactions relating to rent restricted projects in the subject's regional area, analysis of comparable sales is not applicable in determining the overall capitalization rate for the subject property. Therefore, we will rely on a band of investment analysis in order to estimate the subject's capitalization rate.

Since most income-producing properties are purchased with debt and equity capital, the overall capitalization rate must satisfy the market return requirements of both investment positions. Lenders must anticipate receiving a competitive interest rate commensurate with the perceived risk of the investment or they will not make funds available. Similarly, equity investors must anticipate receiving a competitive equity cash return commensurate with the perceived risk, or they will invest their funds elsewhere. Band of investment is defined as follows:

> *Band of Investment*: A technique in which the capitalization rates attributable to components of a capital investment are weighted and combined to derive a weighted-average rate attributable to the total investment.[17]

Financing parameters and equity dividend rates extracted from commercial properties in the Northern California market area are offered in the following tables.

[17] The Dictionary of Real Estate Appraisal, 4th ed. (Chicago: Appraisal Institute, 2002), 25.

FINANCING PARAMETERS

Comp No.	Date	Loan Amount	L-T-V	Beg. Interest Rate	Amort. Per. (Yrs.)
1	Mar-06	$1,275,000	75%	7.00%	25
2	Feb-06	$1,926,000	50%	6.55%	25
3	Feb-06	$1,200,000	75%	8.75%	19
4	Jan-06	$1,250,000	75%	6.85%	30
5	Nov-05	$1,050,000	75%	6.50%	25
6	Sep-05	$1,755,000	75%	6.50%	25
7	Jul-05	$700,000	85%	7.50%	N/A
8	Jul-05	$1,275,000	85%	7.25%	25
9	Jul-05	N/A	N/A	7.50%	30
10	Apr-05	$600,000	70%	7.50%	20
11	Apr-05	$1,690,500	70%	7.50%	20
12	Mar-05	$610,000	69%	5.93%	40
13	Mar-05	$250,000	75%	6.25%	25
14	Jan-05	$1,662,050	65%	5.99%	10

EQUITY PARAMETERS

Comp No.	Sale Date	Sale Price	Year 1 NOI	Eq. Div. Rate
1	Dec-05	$445,000	$27,091	-0.86%
2	Nov-05	$2,650,000	$190,661	2.83%
3	Nov-05	$1,224,000	$92,190	3.96%
4	Oct-05	$1,171,200	$72,318	-0.57%
5	Oct-05	$615,250	$31,098	-3.84%
6	Sep-05	$2,340,000	$217,489	10.29%
7	Sep-05	$640,000	$66,860	14.13%
8	Aug-05	$2,550,000	$144,970	-1.29%
9	Aug-05	$1,740,980	$138,951	6.37%
10	Jul-05	$765,000	$56,233	4.26%
11	Jul-05	$1,500,000	$98,496	1.65%
12	Jul-05	$635,000	$44,132	2.93%
13	Mar-05	$885,000	$58,254	1.70%
14	Mar-05	$850,000	$42,850	-3.43%

Based on information contained in the previous tables, we conclude a mortgage interest rate of 7.00%, a loan amortization period of 30 years, and a loan-to-value ratio of 70%. As for the equity dividend rate, the market data indicates a relatively wide range among investors of commercial properties. Equity dividend rates generally reflect the risk associated with an investment; i.e., the higher the risk, the higher the return that would be required by the investor. As a result of the moderate risk associated with the subject, an equity dividend rate toward the middle of the range is deemed appropriate. Specifically, we have concluded an equity dividend rate in the range of 4.00% to 6.00% for the subject property.

Based on our financing and equity conclusions above, the band of investment analysis is presented in the following table. This analysis indicates a reasonable range of overall capitalization rates for the subject property.

BAND OF INVESTMENT										
Mortgage Interest Rate	7.00%									
Amortization Period (Years)	30									
Loan-to-Value Ratio	70%									
Mortgage Constant	0.07984									
Equity Dividend Rate	4.00%	to	6.00%							
Mortgage Requirement	70%	x	0.07984	=	0.05589	70%	x	0.07984	=	0.05589
Equity Requirement	30%	x	0.04000	=	0.01200	30%	x	0.06000	=	0.01800
	100%				0.06789	100%				0.07389
Indicated Overall Cap Rate:				**(Min.)**	**6.79%**				**(Max.)**	**7.39%**

Based on the band of investment, an overall capitalization rate of 7.00% is selected to apply to the subject's net operating income.

Value Conclusion – Income Capitalization Approach

Applying the components discussed on the preceding pages (potential gross income, vacancy, operating expenses and overall capitalization rate), the hypothetical market value conclusions via the income capitalization approach are offered on the following pages.

HYPOTHETICAL MARKET VALUE AS IMPROVED – PARCEL F-20 (PTN.)

POTENTIAL GROSS INCOME CALCULATION					
Income		**No. of Units**	**Rent per Unit**	**Monthly Income**	**Annual Income**
Rent: Low-Income Units		41	$1,150	$47,150	$565,800
Rent: Very Low-Income Units		27	$720	$19,440	$233,280
Miscellaneous Income					$10,000
Total Potential Gross Income					$809,080
VACANCY & COLLECTION LOSS	@	5%			($40,454)
EFFECTIVE GROSS INCOME					$768,626
EXPENSES		**$/UNIT**	**TOTAL**	**% of EGI**	
Property Taxes and Direct Charges		$1,152	$78,316	10.2%	
Special Assessments		$250	$17,000	2.2%	
Building Insurance		$200	$13,600	1.8%	
Utilities		$500	$34,000	4.4%	
Maintenance & Repairs		$500	$34,000	4.4%	
Professional Mgmt./Admin.		$1,000	$68,000	8.8%	
Reserves		$200	$13,600	1.8%	
Total Expenses		$3,802	$258,516	33.63%	($258,516)
NET OPERATING INCOME					**$510,110**

DIRECT CAPITALIZATION VALUE CONCLUSION				
NOI	**divided by**	**Capitalization Rate**	**=**	**Value**
$510,110	÷	7.00%		$7,287,279
CONCLUSION OF VALUE BY DIRECT CAPITALIZATION			**Rd.**	**$7,290,000**

HYPOTHETICAL MARKET VALUE AS IMPROVED – PARCEL F-21 (PTN.)

POTENTIAL GROSS INCOME CALCULATION

Income	No. of Units	Rent per Unit	Monthly Income	Annual Income
Rent: Low-Income Units	37	$1,150	$42,550	$510,600
Miscellaneous Income				$10,000
Total Potential Gross Income				$520,600
VACANCY & COLLECTION LOSS @	5%			($26,030)
EFFECTIVE GROSS INCOME				$494,570
EXPENSES	**$/UNIT**	**TOTAL**	**% of EGI**	
Property Taxes and Direct Charges	$1,426	$52,748	10.7%	
Special Assessments	$250	$9,250	1.9%	
Building Insurance	$200	$7,400	1.5%	
Utilities	$500	$18,500	3.7%	
Maintenance & Repairs	$500	$18,500	3.7%	
Professional Mgmt./Admin.	$1,000	$37,000	7.5%	
Reserves	$200	$7,400	1.5%	
Total Expenses	$4,076	$150,798	30.49%	($150,798)
NET OPERATING INCOME				**$343,772**

DIRECT CAPITALIZATION VALUE CONCLUSION

NOI	divided by	Capitalization Rate	=	Value
$343,772	÷	7.00%		$4,911,027

CONCLUSION OF VALUE BY DIRECT CAPITALIZATION **Rd.** **$4,910,000**

HYPOTHETICAL MARKET VALUE AS IMPROVED – PARCEL F-22 (PTN.)

POTENTIAL GROSS INCOME CALCULATION

Income	No. of Units	Rent per Unit	Monthly Income	Annual Income
Rent: Low-Income Units	22	$1,150	$25,300	$303,600
Rent: Very Low-Income Units	22	$720	$15,840	$190,080
Miscellaneous Income				$10,000
Total Potential Gross Income				$503,680
VACANCY & COLLECTION LOSS @	5%			($25,184)
EFFECTIVE GROSS INCOME				$478,496
EXPENSES	**$/UNIT**	**TOTAL**	**% of EGI**	
Property Taxes and Direct Charges	$1,094	$48,129	10.1%	
Special Assessments	$250	$11,000	2.3%	
Building Insurance	$200	$8,800	1.8%	
Utilities	$500	$22,000	4.6%	
Maintenance & Repairs	$500	$22,000	4.6%	
Professional Mgmt./Admin.	$1,000	$44,000	9.2%	
Reserves	$200	$8,800	1.8%	
Total Expenses	$3,744	$164,729	34.43%	($164,729)
NET OPERATING INCOME				**$313,767**

DIRECT CAPITALIZATION VALUE CONCLUSION

NOI	divided by	Capitalization Rate	=	Value
$313,767	÷	7.00%		$4,482,391

CONCLUSION OF VALUE BY DIRECT CAPITALIZATION **Rd.** **$4,480,000**

HYPOTHETICAL MARKET VALUE AS IMPROVED – PARCEL F-23 (PTN.)

POTENTIAL GROSS INCOME CALCULATION

Income	No. of Units	Rent per Unit	Monthly Income	Annual Income
Rent: Low-Income Units	64	$1,150	$73,600	$883,200
Rent: Very Low-Income Units	32	$720	$23,040	$276,480
Miscellaneous Income				$10,000
Total Potential Gross Income				$1,169,680
VACANCY & COLLECTION LOSS @	5%			($58,484)
EFFECTIVE GROSS INCOME				$1,111,196

EXPENSES

	$/UNIT	TOTAL	% of EGI	
Property Taxes and Direct Charges	$1,187	$113,983	10.3%	
Special Assessments	$250	$24,000	2.2%	
Building Insurance	$200	$19,200	1.7%	
Utilities	$500	$48,000	4.3%	
Maintenance & Repairs	$500	$48,000	4.3%	
Professional Mgmt./Admin.	$1,000	$96,000	8.6%	
Reserves	$200	$19,200	1.7%	
Total Expenses	$3,837	$368,383	33.15%	($368,383)
NET OPERATING INCOME				**$742,813**

DIRECT CAPITALIZATION VALUE CONCLUSION

NOI	divided by	Capitalization Rate	=	Value
$742,813	÷	7.00%		$10,611,611

CONCLUSION OF VALUE BY DIRECT CAPITALIZATION **Rd.** **$10,610,000**

HYPOTHETICAL MARKET VALUE AS IMPROVED – PARCEL F-24 (PTN.)

POTENTIAL GROSS INCOME CALCULATION

Income	No. of Units	Rent per Unit	Monthly Income	Annual Income
Rent: Low-Income Units	40	$1,150	$46,000	$552,000
Rent: Very Low-Income Units	46	$720	$33,120	$397,440
Miscellaneous Income				$10,000
Total Potential Gross Income				$959,440
VACANCY & COLLECTION LOSS @	5%			($47,972)
EFFECTIVE GROSS INCOME				$911,468

EXPENSES

	$/UNIT	TOTAL	% of EGI	
Property Taxes and Direct Charges	$1,058	$90,993	10.0%	
Special Assessments	$250	$21,500	2.4%	
Building Insurance	$200	$17,200	1.9%	
Utilities	$500	$43,000	4.7%	
Maintenance & Repairs	$500	$43,000	4.7%	
Professional Mgmt./Admin.	$1,000	$86,000	9.4%	
Reserves	$200	$17,200	1.9%	
Total Expenses	$3,708	$318,893	34.99%	($318,893)
NET OPERATING INCOME				**$592,575**

DIRECT CAPITALIZATION VALUE CONCLUSION

NOI	divided by	Capitalization Rate	=	Value
$592,575	÷	7.00%		$8,465,354

CONCLUSION OF VALUE BY DIRECT CAPITALIZATION **Rd.** **$8,470,000**

HYPOTHETICAL MARKET VALUE AS IMPROVED – PARCEL F-25 (PTN.)

POTENTIAL GROSS INCOME CALCULATION

Income	No. of Units	Rent per Unit	Monthly Income	Annual Income
Rent: Very Low-Income Units	20	$720	$14,400	$172,800
Miscellaneous Income				$10,000
Total Potential Gross Income				$182,800
VACANCY & COLLECTION LOSS @	5%			($9,140)
EFFECTIVE GROSS INCOME				$173,660
EXPENSES	**$/UNIT**	**TOTAL**	**% of EGI**	
Property Taxes and Direct Charges	$800	$16,115	9.3%	
Special Assessments	$250	$5,000	2.9%	
Building Insurance	$200	$4,000	2.3%	
Utilities	$500	$10,000	5.8%	
Maintenance & Repairs	$500	$10,000	5.8%	
Professional Mgmt./Admin.	$1,000	$20,000	11.5%	
Reserves	$200	$4,000	2.3%	
Total Expenses	$3,450	$69,115	39.80%	($69,115)
NET OPERATING INCOME				**$104,546**

DIRECT CAPITALIZATION VALUE CONCLUSION

NOI	divided by	Capitalization Rate	=	Value
$104,546	÷	7.00%		$1,493,507

CONCLUSION OF VALUE BY DIRECT CAPITALIZATION **Rd.** **$1,490,000**

HYPOTHETICAL MARKET VALUE AS IMPROVED – PARCEL F-26 (PTN.)

POTENTIAL GROSS INCOME CALCULATION

Income	No. of Units	Rent per Unit	Monthly Income	Annual Income
Rent: Very Low-Income Units	20	$720	$14,400	$172,800
Miscellaneous Income				$10,000
Total Potential Gross Income				$182,800
VACANCY & COLLECTION LOSS @	5%			($9,140)
EFFECTIVE GROSS INCOME				$173,660
EXPENSES	**$/UNIT**	**TOTAL**	**% of EGI**	
Property Taxes and Direct Charges	$800	$16,115	9.3%	
Special Assessments	$250	$5,000	2.9%	
Building Insurance	$200	$4,000	2.3%	
Utilities	$500	$10,000	5.8%	
Maintenance & Repairs	$500	$10,000	5.8%	
Professional Mgmt./Admin.	$1,000	$20,000	11.5%	
Reserves	$200	$4,000	2.3%	
Total Expenses	$3,450	$69,115	39.80%	($69,115)
NET OPERATING INCOME				**$104,546**

DIRECT CAPITALIZATION VALUE CONCLUSION

NOI	divided by	Capitalization Rate	=	Value
$104,546	÷	7.00%		$1,493,507

CONCLUSION OF VALUE BY DIRECT CAPITALIZATION **Rd.** **$1,490,000**

Construction Cost Estimate

The next step in the extraction technique is to estimate typical costs associated with the construction of apartment complexes. In developing the cost estimate, we will rely on the Residential Cost Handbook, a nationally recognized cost-estimating guide published by the Marshall & Swift Corporation. Further, the comparative-unit method will be employed in order to derive replacement costs for the subject's improvements. The definition of this method is as follows:

Comparative-Unit**:** A method used to derive a cost estimate in terms of dollars per unit of area or volume based on known costs of similar structures that are adjusted for time and physical differences; usually applied to total building area.[18]

The significant factors to address when considering the comparative-unit method are:

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

These components will be presented on the following pages and then reconciled at the end of this section.

Direct and Indirect Costs – Marshall Valuation Service

As previously mentioned, to estimate the replacement cost of the subject improvements, we will use the Residential Cost Handbook to obtain individual cost items on both a per square foot and lump sum basis that apply to a good quality multifamily project.

Before going any further in this analysis, it is imperative to discuss what is included and what is not included in the cost indicator. These items, as stated verbatim in the Marshall Valuation Service, are tabulated as follows:

Included in the Costs

1. In the Calculator Section, the actual costs used are final costs to the owner and will include average architects and engineers fees. These, in turn, include plans, plan check and building permits, and survey to establish building lines and grades.

2. Normal interest on only the actual building funds during period of construction and processing fee for service charges is included. Typically, this will average half of the going rate over the time period plus the service fee.

[18] The Dictionary of Real Estate Appraisal, 4th ed. (Chicago: Appraisal Institute, 2002), 55.

3. All material and labor costs include all appropriate local, state and federal sales or GSE taxes, etc.

4. Normal site preparation including finish, grading and excavation for foundation and backfill for the structure only.

5. Utilities from structure to lot line figured for typical setback except where noted in some Unit-in-Place cost sections (mobile homes).

6. Contractor's overhead and profit including job supervision, workmen's compensation, fire and liability insurance, unemployment insurance, equipment, temporary facilities, security, etc., are included.

Not Included in the Costs

1. Costs of buying or assembling land such as escrow fees, legal fees, property taxes, right of way costs, demolition, storm drains, or rough grading, are considered costs of doing business or land improvement costs.

2. Piling or hillside foundations are priced separately in the manual and are considered an improvement to the land. This also refers to soil compaction and vibration, terracing, etc.

3. Costs of land planning or preliminary concept and layout for large developments inclusive of entrepreneurial incentives or developer's overhead and profit are not included, nor is interest or taxes on the land, feasibility studies, certificate of need, environmental impact reports, hazardous material testing, appraisal or consulting fees, etc.

4. Discounts or bonuses paid for financing are considered a cost of doing business, as are funds for operating start up, project bond issues, permanent financing, developmental overhead for fixture and equipment purchases, etc.

5. Yard improvements including septic systems, signs, landscaping, paving, walls, yard lighting, pool or other recreation facilities, etc.

6. Off-site costs including roads, utilities, park fees, jurisdictional hookup, tap-in, impact or entitlement fees and assessments, etc.

7. Furnishings and fixtures, usually not found in the general contract, that are peculiar to a definite tenant, such as seating or kitchen equipment, etc.

8. Marketing costs to create first occupancy including model or advertising expenses, leasing or broker's commissions, temporary operation of property owners' association, fill-up or membership sales costs and fees.

The cost indicators applicable to the subject property are calculated as follows:

Buildings (Good Quality)	
Base cost (psf)	$62.28
Roofing adjustment	-$ 1.21
Subfloor adjustment	+$ 2.71
Floor cover adjustment	+$ 3.77
Floor insulation adjustment	+$ 0.99
Current multiplier	x 1.01
Local multiplier	x 1.18
Indicated replacement cost (psf)	**$81.68**

Exterior Stairways	
Base cost (per flight)	$1,325
Current multiplier	x 1.01
Local multiplier	x 1.18
Indicated replacement cost (per flight)	**$1,579**

Appliances*	
Range & oven	$1,125
Hood & fan	$400
Microwave	$200
Dishwasher	$825
Garbage disposal	$305
Refrigerator	$730
Washer/dryer	$1,000
Current multiplier	x 1.01
Local multiplier	x 1.18
Indicated replacement cost (per unit)	**$5,464**

* Marshall & Swift does not report cost estimates for microwaves or washer/dryers. These costs have been estimated by the appraiser.

Cost factors must also be considered for a swimming pool and site improvements. According to the cost budgets for comparable developments, the pool is estimated to cost a total of $40,000. The site cost estimate includes site paving, parking and landscaping. Generally, site improvement costs range between $2.00 to $7.00 per square foot. Due to the overall size of the subject sites, a site cost estimate towards the lower end of the range, or $3.00 per square foot, appears reasonable.

In addition to the above costs, additional indirect cost items must be incorporated. These items include the appraisal fee ($5,000), interim property taxes (0.5% of directs), leasing commissions (3% of directs), loan fees (1% of directs), title and escrow on land closing (0.5% of directs), and a contingency factor for cost and/or construction time overruns (5% of directs). Cost estimates for each of these items are estimated on the cost approach summary sheet at the end of this section.

Accrued Depreciation

Accrued depreciation represents a loss in value from the replacement cost estimate of improvements from any cause, as of the date of the appraisal. A loss to structures or other improvements emanates from one or more of three sources. The sources are physical deterioration, functional obsolescence or external obsolescence.

The five basic elements of accrued depreciation in structures are:

- Curable physical deterioration
- Incurable physical deterioration
- Curable functional obsolescence
- Incurable functional obsolescence
- External obsolescence

Curable physical deterioration refers to items of deferred maintenance; the estimate of curable physical deterioration is applicable only to the items subject to current repair. Thus, the measure of this element of accrued depreciation is the cost of restoring an item to new or reasonably new condition (that is, cost to cure), which may include the cost of exterior painting, roof repair, etc.

Incurable physical deterioration involves an estimate of depreciation that is not practical or currently feasible to correct. It pertains to all structural elements that are not listed in the physically curable category.

Functional obsolescence is the adverse effect on value resulting from defects in design. To be curable, the cost of replacing the outmoded or unacceptable aspect must be at least offset by the anticipated increase in value. Incurable functional obsolescence may be caused by a deficiency or by a superadequacy.

External influences can cause a loss in value to any property. External obsolescence, which is the result of the diminished utility of a structure due to negative influences from outside the property, is almost always incurable.

This valuation assumes proposed construction and is hypothetical in nature. Consequently, the subject is appraised as if new, yielding an effective age of zero years. Additionally, the improvements are assumed to be functional in design, with no forms of external or economic obsolescence. Therefore, no physical, functional or economic depreciation is considered to adversely affect the subject property.

Developer's Incentive

According to industry sources, developer's incentive (overhead and profit) historically has ranged anywhere from 5% to 20% in the Northern California region. For purposes of our analysis, we have utilized a developer's incentive of 10%.

Conclusion

Considering the components discussed on the previous pages, the estimated construction costs for the multifamily residential developments are detailed on the following pages. The specifics of the hypothetical buildings (e.g., total area, stairways, etc.) are estimated based on typical ratios for apartment projects in the Sacramento region. For example, building area is estimated at 1,000 square feet per unit, while a typical stairway to unit ratio is one to four.

CONSTRUCTION COST ESTIMATE – PARCEL F-20 (PTN.)

MARSHALL & SWIFT COST INDICATORS										
Buildings	68,000	SF	@	$	81.68	/ SF =	$	5,554,240		
Exterior Stairways	17	flights	@	$	1,579	/ flight =	$	26,843		
Appliances	68	units	@	$	5,464	/ unit =	$	371,552		
Swimming Pool							$	40,000		
Site Improvements	169,884	SF	@	$	3.00	/ SF =	$	509,652		
Total Direct Costs									$	6,502,287
ADDITIONAL INDIRECT COSTS										
Appraisal Fee							$	5,000		
Interim Taxes							$	32,511		
Lease-up Costs							$	195,069		
Loan Fees							$	65,023		
Title & Escrow on Land							$	32,511		
Contingency							$	130,046		
Total Indirect Costs									$	460,160
Total Direct and Indirect Costs									$	6,962,447
DEVELOPER'S INCENTIVE			@	10%					$	696,245
Total Project Costs									$	7,658,692
TOTAL PROJECT COSTS								**(Rd.)**	**$**	**7,660,000**

CONSTRUCTION COST ESTIMATE – PARCEL F-21 (PTN.)

MARSHALL & SWIFT COST INDICATORS										
Buildings	37,000	SF	@	$	81.68	/ SF =	$	3,022,160		
Exterior Stairways	9	flights	@	$	1,579	/ flight =	$	14,606		
Appliances	37	units	@	$	5,464	/ unit =	$	202,168		
Swimming Pool							$	40,000		
Site Improvements	113,256	SF	@	$	3.00	/ SF =	$	339,768		
Total Direct Costs									$	3,618,702
ADDITIONAL INDIRECT COSTS										
Appraisal Fee							$	5,000		
Interim Taxes							$	18,094		
Lease-up Costs							$	108,561		
Loan Fees							$	36,187		
Title & Escrow on Land							$	18,094		
Contingency							$	72,374		
Total Indirect Costs									$	258,309
Total Direct and Indirect Costs									$	3,877,011
DEVELOPER'S INCENTIVE			@	10%					$	387,701
Total Project Costs									$	4,264,712
TOTAL PROJECT COSTS								**(Rd.)**	**$**	**4,260,000**

CONSTRUCTION COST ESTIMATE – PARCEL F-22 (PTN.)

MARSHALL & SWIFT COST INDICATORS										
Buildings	44,000	SF	@	$	81.68	/ SF =	$	3,593,920		
Exterior Stairways	11	flights	@	$	1,579	/ flight =	$	17,369		
Appliances	44	units	@	$	5,464	/ unit =	$	240,416		
Swimming Pool							$	40,000		
Site Improvements	156,816	SF	@	$	3.00	/ SF =	$	470,448		
Total Direct Costs									$	4,362,153
ADDITIONAL INDIRECT COSTS										
Appraisal Fee							$	5,000		
Interim Taxes							$	21,811		
Lease-up Costs							$	130,865		
Loan Fees							$	43,622		
Title & Escrow on Land							$	21,811		
Contingency							$	87,243		
Total Indirect Costs									$	310,351
Total Direct and Indirect Costs									$	4,672,504
DEVELOPER'S INCENTIVE			@	10%					$	467,250
Total Project Costs									$	5,139,754
TOTAL PROJECT COSTS								**(Rd.)**	**$**	**5,140,000**

CONSTRUCTION COST ESTIMATE – PARCEL F-23 (PTN.)

MARSHALL & SWIFT COST INDICATORS							
Buildings	96,000	SF	@	$ 81.68	/ SF =	$ 7,841,280	
Exterior Stairways	24	flights	@	$ 1,579	/ flight =	$ 37,896	
Appliances	96	units	@	$ 5,464	/ unit =	$ 524,544	
Swimming Pool						$ 40,000	
Site Improvements	291,852	SF	@	$ 3.00	/ SF =	$ 875,556	
Total Direct Costs							$ 9,319,276
ADDITIONAL INDIRECT COSTS							
Appraisal Fee						$ 5,000	
Interim Taxes						$ 46,596	
Lease-up Costs						$ 279,578	
Loan Fees						$ 93,193	
Title & Escrow on Land						$ 46,596	
Contingency						$ 186,386	
Total Indirect Costs							$ 657,349
Total Direct and Indirect Costs							$ 9,976,625
DEVELOPER'S INCENTIVE			@	10%			$ 997,663
Total Project Costs							$ 10,974,288
TOTAL PROJECT COSTS						**(Rd.)**	**$ 10,970,000**

CONSTRUCTION COST ESTIMATE – PARCEL F-24 (PTN.)

MARSHALL & SWIFT COST INDICATORS							
Buildings	86,000	SF	@	$ 81.68	/ SF =	$ 7,024,480	
Exterior Stairways	22	flights	@	$ 1,579	/ flight =	$ 33,949	
Appliances	86	units	@	$ 5,464	/ unit =	$ 469,904	
Swimming Pool						$ 40,000	
Site Improvements	235,224	SF	@	$ 3.00	/ SF =	$ 705,672	
Total Direct Costs							$ 8,274,005
ADDITIONAL INDIRECT COSTS							
Appraisal Fee						$ 5,000	
Interim Taxes						$ 41,370	
Lease-up Costs						$ 248,220	
Loan Fees						$ 82,740	
Title & Escrow on Land						$ 41,370	
Contingency						$ 165,480	
Total Indirect Costs							$ 584,180
Total Direct and Indirect Costs							$ 8,858,185
DEVELOPER'S INCENTIVE			@	10%			$ 885,818
Total Project Costs							$ 9,744,003
TOTAL PROJECT COSTS						**(Rd.)**	**$ 9,740,000**

CONSTRUCTION COST ESTIMATE – PARCEL F-25 (PTN.)

MARSHALL & SWIFT COST INDICATORS							
Buildings	20,000	SF	@	$ 81.68	/ SF =	$ 1,633,600	
Exterior Stairways	5	flights	@	$ 1,579	/ flight =	$ 7,895	
Appliances	20	units	@	$ 5,464	/ unit =	$ 109,280	
Swimming Pool						$ 40,000	
Site Improvements	56,628	SF	@	$ 3.00	/ SF =	$ 169,884	
Total Direct Costs							$ 1,960,659
ADDITIONAL INDIRECT COSTS							
Appraisal Fee						$ 5,000	
Interim Taxes						$ 9,803	
Lease-up Costs						$ 58,820	
Loan Fees						$ 19,607	
Title & Escrow on Land						$ 9,803	
Contingency						$ 39,213	
Total Indirect Costs							$ 142,246
Total Direct and Indirect Costs							$ 2,102,905
DEVELOPER'S INCENTIVE			@	10%			$ 210,291
Total Project Costs							$ 2,313,196
TOTAL PROJECT COSTS						**(Rd.)**	**$ 2,310,000**

CONSTRUCTION COST ESTIMATE – PARCEL F-26 (PTN.)

MARSHALL & SWIFT COST INDICATORS							
Buildings	20,000	SF	@	$ 81.68	/ SF =	$ 1,633,600	
Exterior Stairways	5	flights	@	$ 1,579	/ flight =	$ 7,895	
Appliances	20	units	@	$ 5,464	/ unit =	$ 109,280	
Swimming Pool						$ 40,000	
Site Improvements	56,628	SF	@	$ 3.00	/ SF =	$ 169,884	
Total Direct Costs							$ 1,960,659
ADDITIONAL INDIRECT COSTS							
Appraisal Fee						$ 5,000	
Interim Taxes						$ 9,803	
Lease-up Costs						$ 58,820	
Loan Fees						$ 19,607	
Title & Escrow on Land						$ 9,803	
Contingency						$ 39,213	
Total Indirect Costs							$ 142,246
Total Direct and Indirect Costs							$ 2,102,905
DEVELOPER'S INCENTIVE			@	10%			$ 210,291
Total Project Costs							$ 2,313,196
TOTAL PROJECT COSTS						**(Rd.)**	**$ 2,310,000**

Conclusion of Revenue – Multifamily Residential Component

Due to the lack of comparable land sales with affordable housing requirements, we have relied on the extraction technique to develop an opinion of hypothetical market value for the deed-restricted portions of Parcels F-20 through F-26. The extraction technique considers the most probable selling price of multifamily housing developments and then reduces that value by the direct costs, indirect costs and developer's profit associated with construction. The result of this analysis represents an estimate of residual value for the land.

Using the income approach to value, we estimated the market value of the subject's hypothetical projects as improved. With reference to the Residential Cost Handbook, a nationally recognized cost-estimating guide published by the Marshall & Swift Corporation, total project costs (direct costs, indirect costs and developer's profit) were also estimated. Thus, our final conclusions of hypothetical market value for the vacant sites are as follows:

Parcel	Hypothetical Market Value As Improved		Estimated Construction Costs		Land Value
F-20 (portion)	$7,290,000	-	$7,660,000	=	$0
F-21 (portion)	$4,910,000	-	$4,260,000	=	$650,000
F-22 (portion)	$4,480,000	-	$5,140,000	=	$0
F-23 (portion)	$10,610,000	-	$10,970,000	=	$0
F-24 (portion)	$8,470,000	-	$9,740,000	=	$0
F-25 (portion)	$1,490,000	-	$2,310,000	=	$0
F-26 (portion)	$1,490,000	-	$2,310,000	=	$0

The costs associated with constructing affordable housing projects on Parcels F-20 and F-22 through F-26 are estimated to be greater than the capitalized net operating income using the affordable housing rental rates, which ultimately yields a negative land value. However, in general, market participants agree that an owner would not pay a developer to take a site. Thus, it is concluded that the deed-restricted portions of Parcels F-20 and F-22 through F-26 have no value. These sites are deemed a cost to development, and consistent with the plans of the master developer, they will most likely be deeded to an affordable housing developer for the construction of affordable housing units.

Based on the preceding discussions and analyses, total revenue for the multifamily residential component of the subject property is estimated on the following page.

Phase	Designation	Acreage	No. of Units	Concluded Value / Unit	Revenue (Rd.)
Market Rate Multifamily Sites					
Phase I	F-21 (portion)	12.6	182	$70,000	**$12,740,000**
Phase I	F-22 (portion)	6.8	82	$70,000	**$5,740,000**
Phase I	F-23 (portion)	4.5	64	$70,000	**$4,480,000**
Phase I	F-24 (portion)	7.2	114	$70,000	**$7,980,000**
Phase II	F-25 (portion)	4.5	70	$70,000	**$4,900,000**
Phase II	F-26 (portion)	4.6	70	$70,000	**$4,900,000**
Phase III	F-20 (portion)	3.0	52	$70,000	**$3,640,000**
Affordable Housing Multifamily Sites					
Phase I	F-21 (portion)	2.6	37	$17,568	**$650,000**
Phase I	F-22 (portion)	3.6	44	$0	**$0**
Phase I	F-23 (portion)	6.7	96	$0	**$0**
Phase I	F-24 (portion)	5.4	86	$0	**$0**
Phase II	F-25 (portion)	1.3	20	$0	**$0**
Phase II	F-26 (portion)	1.3	20	$0	**$0**
Phase III	F-20 (portion)	3.9	68	$0	**$0**
				Total	**$45,030,000**

Sales Comparison Approach – Commercial (Retail) Revenue Component

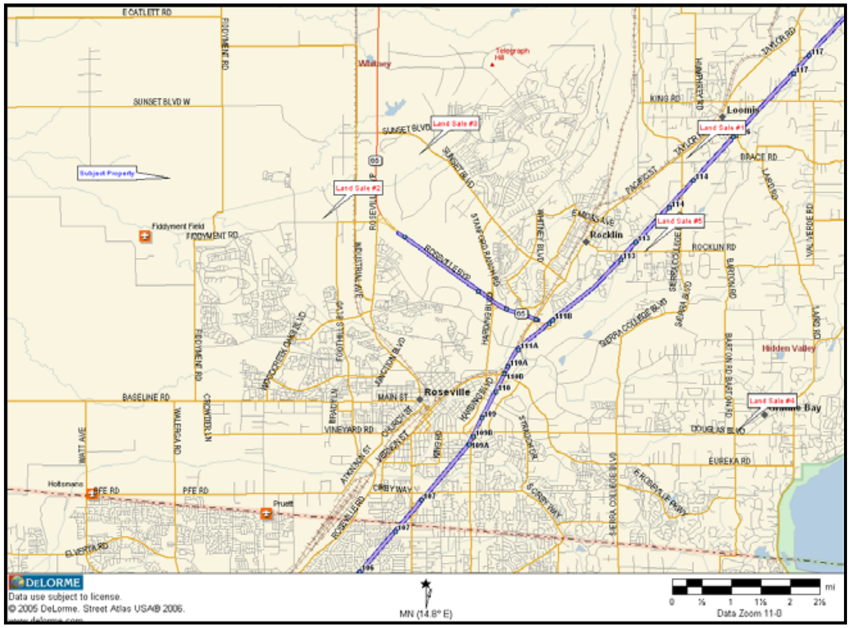
In this section, we will estimate the commercial (retail) revenue component of the subject property. To do so, the subject sites are compared with sales of similar properties on the basis of price per square foot of land area.

The subject's commercial component consists of five separate sites ranging from 1.9 to 13.9 acres. We will give consideration to factors such as property rights conveyed, financing, conditions of sale and changes in market conditions since the sale dates. Further, differences in physical characteristics, including location, parcel area, visibility/accessibility, orientation and topography/shape will be considered in the analysis. At the end of the section, we will then utilize the data set and other market indicators to establish the price per square foot value attributable to each site.

The market data investigation considers land sales within the Roseville/Rocklin submarket. In the analysis that follows, we will present and analyze five comparable sales. We will begin by presenting a summary tabulation on the following page, along with a location map. Detailed sales sheets and an adjustment discussion are presented after the summary table.

COMMERCIAL LAND SALES

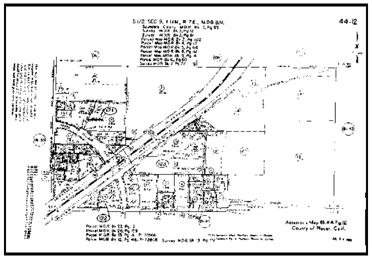
Sale No.	Location	Sale Date	Sale Price (incl. bonds)	Land Area (Acre / SF)	Sale Price/SF	Zoning / Land Use
1	NEC of Sierra College Blvd. and Brace Road Loomis APNs: 044-123-057 and -069	Feb-06	$3,000,000	5.43 236,531	$12.68	CG
2	North of Blue Oaks Blvd., west of Foothills Blvd. Roseville APN: 017-250-050	Sep-05	$6,305,346	11.90 518,364	$12.16	CC
3	SWC of Sunset Blvd. and Lonetree Blvd. Rocklin APN: 017-284-001	Sep-05	$1,082,779	1.10 47,916	$22.60	PD-BP/C
4	7095 Douglas Blvd. Granite Bay APN: 047-060-012	Mar-05	$1,500,000	1.67 72,720	$20.63	C1
5	4790 Rocklin Road Rocklin APNs: 045-130-080 through -086	Feb-05	$2,557,000	3.19 138,956	$18.40	PD-C



COMMERCIAL LAND SALE 1

Property Identification:

Commercial Land



Northeast corner of Sierra College Boulevard and Brace Road
Loomis, CA 95650
Placer County

Map Grid: 200-H7
APN: 044-123-057, -069

Sale Data:	
Grantor	Bob Cook Company, LLC
Grantee	Hamid Noorani
Sale Date	2/9/2006
Deed Book Page	015304
Property Rights	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	$3,000,000
Present Value of Bonds	$0
Land Data:	
Land Area (SF)	236,531
Land Area (Acres)	5.43
Zoning Code	CG, General Commercial
Shape	Irregular
Corner Orientation	Yes
Street Frontage	Sierra College Boulevard, Brace Road
Topography	Level
Off-Site Improvements	Partial
On-Site Improvements	None
Indicators:	
Sale Price per SF	$12.68
Sale Price per Acre	$552,486
PV Bonds per SF	$0.00
PV Bonds per Acre	$0

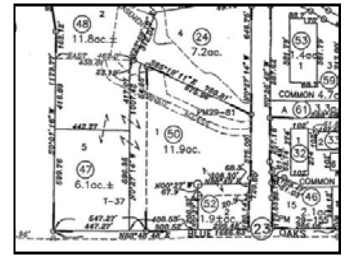
Remarks:

This comparable represents the February 2006 sale of a 5.43-acre commercial property located in the town of Loomis. It was reported there may be wetlands and a 100-year flood zone affecting the property.

COMMERCIAL LAND SALE 2

Property Identification:

Commercial Land



Northwest quadrant of Blue Oaks and Foothills Boulevards
Roseville, CA 95678
Placer County

Map Grid: 219-E2
APN: 017-250-050

Sale Data:	
Grantor	Tremigo Roseville, LLC (et al)
Grantee	Blue Oaks Plaza, LLC
Sale Date	9/1/2005
Deed Book Page	126800
Property Rights	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	$6,300,000
Present Value of Bonds	$5,346
Land Data:	
Land Area (SF)	518,364
Land Area (Acres)	11.90
Zoning Code	CC, Community Commercial
Shape	Irregular
Corner Orientation	No
Street Frontage	Blue Oaks Boulevard, Foothills Boulevard
Topography	Level
Off-Site Improvements	All to Site
On-Site Improvements	None
Indicators:	
Sale Price per SF	$12.15
Sale Price per Acre	$529,412
PV Bonds per SF	$0.01
PV Bonds per Acre	$449

Remarks:

This property is intended for a combination of office and retail development. General and medical office buildings are being marketed within the proposed development, which is called Blue Oaks Plaza.

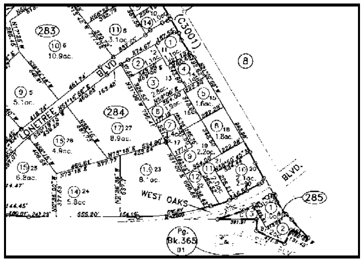
COMMERCIAL LAND SALE 3

Property Identification:

Commercial Land

Southwest corner of Sunset Boulevard and Lonetree Boulevard
Rocklin, CA 95765
Placer County

Map Grid: 199-H6
APN: 017-284-001



Sale Data:

Grantor	Eureka Development Company, LLC
Grantee	Kobra Properties
Sale Date	9/1/2005
Deed Book Page	20050117127
Property Rights	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	$1,054,152
Present Value of Bonds	$28,627

Land Data:

Land Area (SF)	47,916
Land Area (Acres)	1.10
Zoning Code	PD-BP/C, Planned Development - Business Professional/Commercial
Shape	Rectangular
Corner Orientation	Yes
Street Frontage	226' Sunset Boulevard, 213' Lonetree Boulevard
Topography	Level
Off-Site Improvements	All to Site
On-Site Improvements	None

Indicators:

Sale Price per SF	$22.00
Sale Price per Acre	$958,320
PV Bonds per SF	$0.60
PV Bonds per Acre	$26,025

Remarks:

This comparable is located in a rapidly developing area of Rocklin. At the time of sale, the property had all off-site improvements in place. The property is encumbered by bonds in the amount of $28,627, or approximately $0.60 per square foot.

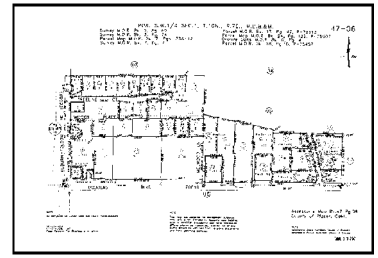
COMMERCIAL LAND SALE 4

Property Identification:

Commercial Land

7095 Douglas Boulevard
Granite Bay, CA 95746
Placer County

Map Grid: 241-C2
APN: 047-060-012



Sale Data:

Grantor	D&S Development, Inc.
Grantee	Ron M. & Julie A. Smith
Sale Date	3/31/2005
Deed Book Page	039870
Property Rights	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	$1,500,000
Present Value of Bonds	$0

Land Data:

Land Area (SF)	72,720
Land Area (Acres)	1.67
Zoning Code	C1, Neighborhood Commercial
Shape	Rectangular
Corner Orientation	No
Street Frontage	Douglas Boulevard
Topography	Level
Off-Site Improvements	All to Site
On-Site Improvements	All to Pad

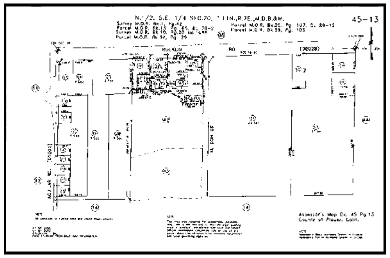
Indicators:

Sale Price per SF	$20.63
Sale Price per Acre	$898,515
PV Bonds per SF	$0.00
PV Bonds per Acre	$0

Remarks:

This property was previously developed with a 2,000 square foot retail store. The buyer plans to demolish the existing structure and construct a 12,000 square foot retail strip center.

COMMERCIAL LAND SALE 5



Property Identification:

Commercial Land

4790 Rocklin Road
Rocklin, CA 95677
Placer County

Map Grid: 220-G3
APN: 045-130-080 through -086

Sale Data:

Grantor	Eastmarc, Inc.
Grantee	Narinder & Lilla Singh (et al)
Sale Date	2/1/2005
Deed Book Page	023778
Property Rights	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	$2,557,000
Present Value of Bonds	$0

Land Data:

Land Area (SF)	138,956
Land Area (Acres)	3.19
Zoning Code	PD-C, Planned Development - Commercial
Shape	Irregular
Corner Orientation	Yes
Street Frontage	Rocklin Road, El Don Drive
Topography	Level
Off-Site Improvements	All to Site
On-Site Improvements	None

Indicators:

Sale Price per SF	$18.40
Sale Price per Acre	$801,567
PV Bonds per SF	$0.00
PV Bonds per Acre	$0

Remarks:

This property is situated just east of Interstate 80, at the intersection of Rocklin Road and El Don Drive. The intended use of this site is for retail development.

Adjustment Discussion

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

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

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

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

Property Rights Conveyed

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

Financing Terms

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

Conditions of Sale

Adverse conditions of sale can account for a significant discrepancy from the sales price actually paid compared to that of the market. This discrepancy in price is generally attributed to the motivations of the buyer and the seller.

Certain conditions of sale are considered to be non-market and may include the following:

- a seller acting under duress,
- a lack of exposure to the open market,
- an inter-family or inter-business transaction for the sake of family or business interest,
- an unusual tax consideration,
- a premium paid for site assemblage,
- a sale at legal auction, or
- an eminent domain proceeding.

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

Market Condition (Time)

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

In evaluating market conditions, changes between the sale dates for the comparable sales and the effective date of this appraisal may warrant adjustment; however, if market conditions have not changed, then no time adjustment is required. In this analysis, properties that transferred over 12 months ago require upward adjustment to reflect the subsequent improvement in market conditions.

Physical Characteristics

The physical characteristics of a property can impact the selling price. Those that may impact value are discussed on the following pages.

Location

Commercial land sale comparables were analyzed from the Roseville/Rocklin submarket. In general, all of the comparables are similar in location in that they are equal distance from employment, parks, services, etc., and have similar economic characteristics. The comparables have the same overall desirability to the most probable buyer or user; therefore, no adjustments are required for location.

Parcel Area

The subject's commercial sites range from 1.9 to 13.9 acres. The market generally exhibits an inverse relationship between parcel area and price per square foot, such that larger parcels sell for a lower price per square foot than smaller parcels, all else being equal. This trend is substantiated in examining the array of comparable sales utilized for our analysis. We are evaluating the subject's commercial sites in two categories based on acreage. The comparables that have more acreage relative to the subject's sites are adjusted upward, while the comparables that are smaller than the subject's sites receive downward adjustments.

Visibility/Accessibility

The visibility and accessibility of a property can have a direct impact on value. For example, a property with limited access is considered to be in an inferior position compared to a property with open accessibility. Conversely, if a property has good visibility, or is situated in proximity to major linkages, this is considered to be a superior site amenity in comparison to a property with limited visibility. The visibility and accessibility of the comparable sales are considered similar in comparison to the subject property; therefore, adjustments are not required for this factor.

Utility/Topography

The subject property exhibits average site utility (shape, topography, etc.), with no major impediments to development. It is noted that for commercial land there is typically a premium associated with a corner location. In analyzing the comparables, downward adjustments are applied to several of the sales due to their corner orientations. The subject parcels represent interior sites.

Offsite Improvements

Under the hypothetical condition for which the subject property is being valued, all offsite improvements are assumed to be in place. Similarly, each of the comparable sales possesses offsite improvements and, therefore, no adjustments are necessary.

Conclusion of Revenue - Commercial Component

During our investigation, we identified several commercial land sales located throughout Roseville and Rocklin. We have presented five comparables that were analyzed to estimate the hypothetical market value for the subject's commercial component. As discussed, the market generally exhibits an inverse relationship between land area and price per square foot such that larger sites tend to sell for a lower price per square foot than smaller sites, all else being equal. Therefore, the subject's 1.9-acre site is estimated to have a higher per square foot value relative to the site that contains 13.9 acres of land area. Using the indications of the data set, and considering the similarities and dissimilarities between the data set and the subject property, as well as the required adjustments previously discussed, our conclusion of revenue for the commercial component of the subject property is presented in the following table.

Phase	Designation	Size (Acres)	Size (SF)	Concluded Value/SF	Commercial Revenue (Rd.)
Phase I	F-31	13.9	605,484	$12.00	**$7,270,000**
Phase I	F-35	1.9	82,764	$21.00	**$1,740,000**
Phase II	F-32	5.0	217,800	$16.00	**$3,480,000**
Phase II	F-33	4.9	213,444	$16.00	**$3,420,000**
Phase III	F-34	5.3	230,868	$16.00	**$3,690,000**
				Total	**$19,600,000**

Sales Comparison Approach – Business Professional (Office) Revenue Component

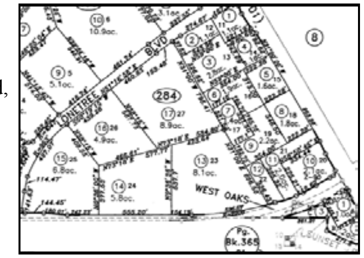
The subject's business professional (office) component consists of one site containing 8.7 acres of land area. We will analyze similar properties on the basis of price per square foot of land area, and give consideration to factors such as property rights conveyed, financing, conditions of sale and market appreciation or depreciation since the sale dates. Additionally, differences in physical characteristics, such as location, parcel area, visibility/accessibility, orientation and topography/shape, will be considered in the analysis. At the end of the section, we will then utilize the data set and other market indicators to estimate the hypothetical market value of Parcel F-30.

The market data investigation considers land sales within the subject's Roseville/Rocklin submarket. In the analysis that follows, we will present and analyze five comparable sales. We will begin by presenting a summary tabulation on the following page, along with a location map. Detailed sales sheets and an adjustment discussion are presented after the summary table.

OFFICE LAND SALES

Sale No.	Location	Sale Date	Sale Price (incl. bonds)	Land Area (Acre / SF)	Sale Price/SF	Zoning / Land Use
1	North of West Oaks Boulevard, west of Sunset Boulevard Rocklin APNs: 017-284-013 and -014	Nov-05	$7,612,404	13.89 605,048	$12.58	PD-IP
2	North side of Tinker Road, east of Industrial Avenue Rocklin APN: 017-300-091	Sep-05	$3,179,880	7.30 317,988	$10.00	INP-DC
3	South side of Lontree Boulevard, west of Sunset Boulevard Rocklin APN: 017-284-017	May-05	$3,345,590	8.91 388,120	$8.62	PD-IP
4	North of Blue Oaks Boulevard, east of Woodcreek Oaks Boulevard Roseville APN: 017-115-083 (portion)	Mar-05	$4,138,200	10.00 435,600	$9.50	BP
5	Along the south line of Cirby Way, west of Sunrise Avenue Roseville APNs: 471-150-011 and -012	Oct-04	$1,607,500	3.04 132,422	$12.14	BP

OFFICE LAND SALE 1



Property Identification:
Office Land

North side of West Oaks Boulevard, west of Sunset Boulevard
Rocklin, CA 95765
Placer County

Map Grid: 199-J7
APN: 017-284-013, -014

Sale Data:

Grantor	Rocklin Corporate Center, LLC
Grantee	Opus West Corporation
Sale Date	11/30/2005
Deed Book Page	160523
Property Rights	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	$7,260,580
Present Value of Bonds	$351,824

Land Data:

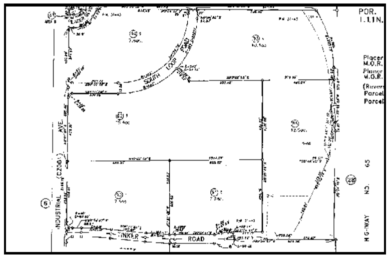
Land Area (SF)	605,048
Land Area (Acres)	13.89
Zoning Code	PD-IP, Planned Development - Industrial Park
Shape	Irregular
Corner Orientation	No
Street Frontage	West Oaks Boulevard
Topography	Generally Level
Off-Site Improvements	All to Site
On-Site Improvements	None

Indicators:

Sale Price per SF	$12.00
Sale Price per Acre	$522,720
PV Bonds per SF	$0.58
PV Bonds per Acre	$25,329

Remarks:
This comparable represents the sale of two contiguous parcels in the Rocklin Corporate Center. It was reported the owner purchased the property with the intent of constructing a 200,000 square foot, three-story office project.

OFFICE LAND SALE 2



Property Identification:

Office Land

North side of Tinker Road, east of Industrial Avenue
Rocklin, CA 95765
Placer County

Map Grid: 199-F7
APN: 017-300-091

Sale Data:

Grantor	John L. Sullivan Family LP
Grantee	Tinker Road Group I, LLC
Sale Date	9/6/2005
Deed Book Page	Pending
Property Rights	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	$3,179,880
Present Value of Bonds	$0

Land Data:

Land Area (SF)	317,988
Land Area (Acres)	7.30
Zoning Code	INP-DC, Industrial Park - Design Corridor
Shape	Rectangular
Corner Orientation	No
Street Frontage	Tinker Road
Topography	Level
Off-Site Improvements	All to Site
On-Site Improvements	None

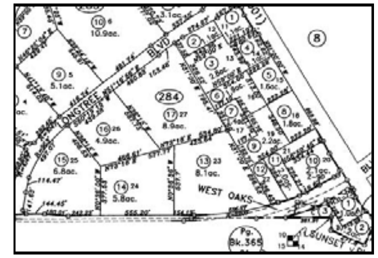
Indicators:

Sale Price per SF	$10.00
Sale Price per Acre	$0
PV Bonds per SF	$0.00
PV Bonds per Acre	$0

Remarks:

This purchase agreement is dated September 6, 2005. The buyer intends to construct five condominium flex buildings on the site. The property has adequate visibility/accessibility along the north line of Tinker Road.

OFFICE LAND SALE 3



Property Identification:

Office Land

South side of Lonetree Boulevard, west of Sunset Boulevard
Rocklin, CA 95765
Placer County

Map Grid: 199-J7
APN: 017-284-017

Sale Data:

Grantor	Rocklin Corporate Center, LLC
Grantee	Silversword Properties, LLC
Sale Date	5/31/2005
Deed Book Page	68957
Property Rights	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	$3,104,956
Present Value of Bonds	$240,634

Land Data:

Land Area (SF)	388,120
Land Area (Acres)	8.91
Zoning Code	PD-IP, Planned Development - Industrial Park
Shape	Irregular
Corner Orientation	No
Street Frontage	Lonetree Boulevard
Topography	Generally Level
Off-Site Improvements	All to Site
On-Site Improvements	None

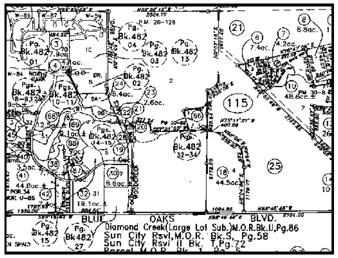
Indicators:

Sale Price per SF	$8.00
Sale Price per Acre	$348,480
PV Bonds per SF	$0.62
PV Bonds per Acre	$27,007

Remarks:

Similar to Comparable #1, this property is located in the Rocklin Corporate Center. The 8.91-acer parcel was purchased in March 2005 for $3,104,956, or $8.00 per square foot. According to the broker, the buyer intends to construct office/flex buildings on the site, consistent with the proposed uses on adjacent parcels.

OFFICE LAND SALE 4



Property Identification:

Office Land

Northeast corner of Blue Oaks Boulevard and Woodcreek Oaks Bouelvard
Roseville, CA 95747
Placer County

Map Grid: 219-D2
APN: 017-115-083 (portion)

Sale Data:

Grantor	Longmeadow Development
Grantee	Kobra Properties
Sale Date	3/8/2005
Deed Book Page	63403
Property Rights	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	$4,138,200
Present Value of Bonds	$0

Land Data:

Land Area (SF)	435,600
Land Area (Acres)	10.00
Zoning Code	BP, Business Professional
Shape	Rectangular
Corner Orientation	Yes
Street Frontage	Along Blue Oaks and Woodcreek Oaks Boulevards
Topography	Generally Level
Off-Site Improvements	All to Site
On-Site Improvements	None

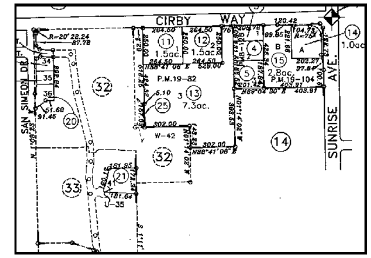
Indicators:

Sale Price per SF	$9.50
Sale Price per Acre	$413,820
PV Bonds per SF	$0.00
PV Bonds per Acre	$0

Remarks:

This comparable represents the sale of a 10-acre portion of APN 017-115-083. The site is located adjacent to the Longmeadow residential development by JMC Homes. However, unlike the residential property, this parcel does not have a special assessment obligation relating to Mello-Roos bonds.

OFFICE LAND SALE 5



Property Identification:

Office Land

South side of Cirby Way, west of Sunrise Avenue
Roseville, CA 95661
Placer County

Map Grid: 240-A4
APN: 471-150-011, -012

Sale Data:

Grantor	FAEC Holdings 024, LLC
Grantee	Fair Oaks Ranch, LLC
Sale Date	10/22/2004
Deed Book Page	140352
Property Rights	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	$1,607,500
Present Value of Bonds	$0

Land Data:

Land Area (SF)	132,422
Land Area (Acres)	3.04
Zoning Code	BP, Business Professional
Shape	Rectangular
Corner Orientation	No
Street Frontage	529' Cirby Way
Topography	Level
Off-Site Improvements	All to Site
On-Site Improvements	None

Indicators:

Sale Price per SF	$12.14
Sale Price per Acre	$528,783
PV Bonds per SF	$0.00
PV Bonds per Acre	$0

Remarks:

This property is located along Cirby Way, in proximity to Interstate 80 to the west and just west of Sunrise Avenue. The site will be developed with an office project known as the Cirby Way Business Park.

Adjustment Discussion

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

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

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

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

Property Rights Conveyed

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

Financing Terms

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

Conditions of Sale

Adverse conditions of sale can account for a significant discrepancy from the sales price actually paid compared to that of the market. This discrepancy in price is generally attributed to the motivations of the buyer and the seller.

Certain conditions of sale are considered to be non-market and may include the following:

- a seller acting under duress,
- a lack of exposure to the open market,
- an inter-family or inter-business transaction for the sake of family or business interest,
- an unusual tax consideration,
- a premium paid for site assemblage,
- a sale at legal auction, or
- an eminent domain proceeding.

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

Market Condition (Time)

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

In evaluating market conditions, changes between the sale dates for the comparable sales and the effective date of this appraisal may warrant adjustment; however, if market conditions have not changed, then no time adjustment is required. An upward adjustments is required to Comparable #5 because it transferred over 12 months ago and market conditions have since improved. No other adjustments are deemed necessary.

Physical Characteristics

The physical characteristics of a property can impact the selling price. Those that may impact value are discussed on the following pages.

Location

Commercial land sale comparables were analyzed from the Roseville/Rocklin submarket. In general, all of the comparables are similar in location in that they are equal distance from employment, services, etc., and have similar economic characteristics. The comparables have the same overall desirability to the most probable buyer or user and, therefore, do no require adjustments for location.

Parcel Area

The subject's business professional site contains 8.7 acres of land area. The market generally exhibits an inverse relationship between parcel area and price per square foot such that larger parcels sell for a lower price per square foot than smaller parcels, all else being equal. Thus, Comparable #5 requires a downward adjustment since this sale represents a smaller parcel relative to the subject property.

Visibility/Accessibility

The visibility and accessibility of a property can have a direct impact on value. For example, a property with limited access is considered to be in an inferior position compared to a property with open accessibility. Conversely, if a property has good visibility, or is situated in proximity to major linkages, this is considered to be a superior site amenity in comparison to a property with limited visibility. The visibility and accessibility of the comparable sales are considered similar in comparison to the subject property; therefore, adjustments are not required for this factor.

Utility/Topography

Differences in contour, drainage or soil conditions can affect the utility and, therefore, the market value of the property. All of the comparable properties offer terrain with similar utility. As such, no adjustments are necessary when comparing these sales with the subject.

Offsite Improvements

Under the hypothetical condition for which the subject property is being valued, all offsite improvements are assumed to be in place. Similarly, each of the comparable sales possesses offsite improvements and, therefore, no adjustments are necessary.

Conclusion of Revenue – Business Professional (Office) Component

During our investigation, we identified several office land sales located throughout the Roseville/Rocklin submarket. In total, we have presented five comparables that were analyzed to estimate the hypothetical market value for the subject's business professional site. Based on the indications of the data set, and considering the similarities and dissimilarities between the comparable sales and the subject property, as well as the required adjustments previously discussed, our conclusion of revenue for the business professional (office) component of the subject property is $10.00 per square foot. Applying this unit indicator yields a revenue conclusion of **$3,790,000** ($10.00 per square foot x 378,972 square feet), rounded.

Conclusion – Revenue Component

To restate, the total revenue for the subject property, which will be incorporated into the discounted cash flow analyses, are detailed in the table below. The estimates of value have been detailed by ownership.

Owner/Developer	Component/Designation	Revenue
Signature Properties (Master Developer)	Single-Family Residential (SFR)	$483,870,000
	Multifamily Residential (MFR)	$45,030,000
	Commercial (Retail)	$19,600,000
	Business Professional (Office)	$3,790,000
Shea Homes	SFR - Parcel F-1A	$19,410,000
Morrison Homes	SFR - Parcel F-1B	$18,320,000
Christopherson Homes	SFR - Parcel F-2	$27,520,000
KB Homes	SFR - Parcel F-3	$27,900,000
Lennar Corporation	SFR - Parcel F-5A	$14,300,000

ABSORPTION ANALYSIS

In this section of the report, we will discuss the absorption period (time) and summarize the annual disposition of the revenue components. Absorption statistics for each of the individual components are also located in the *Market Overview* sections of this report. The following discussions provide supplemental information utilized to project sell-off of the components.

Single-Family Residential Component

In developing an estimate of the absorption period for the subject property, we have attempted to consider both the impacts for present market conditions as well as anticipated changes in the market. Real estate is cyclical in nature, and it is difficult to accurately forecast specific demand over a projected absorption period. Estimating absorption is based on several factors. One consideration is the past experience of local residential developers marketing similar projects. This analysis is best measured by historic absorption rates for lots in the Northern California Region. The stable demand for single-family homes in the subject's market area, coupled with the limited supply of entitled land near ready for development, should bode well for the subject property.

California's Central Valley, which includes both the Sacramento and San Joaquin Valleys, has achieved significant absorption of near ready for development residential land. For instance, in the city of Lincoln, in south Placer County, is the Lincoln Crossing master planned community. This

development is located just west of State Highway 65, south of Moore Road, and incorporates 1,066 acres of land. Lincoln Crossing is being developed in two phases, bisected by the proposed State Highway 65 Bypass, scheduled to begin this year. Phase I includes 541 acres north of the State Highway 65 Bypass and will include 1,138 single-family residential lots, two school sites, 10 acres of multifamily residential land, 17.9 acres of commercial land and 8 acres of office land. Development of Phase I was recently completed. Phase II, which includes 525 acres south of the proposed State Highway 65 Bypass, contains an additional 1,555 single-family residential lots, 17.6 acres of commercial land, and an 8-acre school site. The balance, 54 acres, will be used as right-of way to support the Bypass. Phase II development began in Summer 2003, with completion in late-2004. Shortly after entering the market, 828 lots within Phase I of Lincoln Crossing were sold within one year to merchant builders, including KB Homes, Centex Homes and Morrison Homes.

Further illustrating the demand for developable residential land throughout the Central Valley, in the city of Lathrop, in San Joaquin County, just south of the city of Stockton, Pacific Union Homes is developing the Mossdale Landing master planned community, which, at build-out, will include 998 detached single-family residences. In terms of market acceptance, all of Phase I of the Mossdale Landing development, which includes 550 proposed single-family lots, had sold to merchant builders within one year, and development is currently underway.

As merchant builders have looked to offer more affordable homes in outlying areas proximate to Sacramento, major activity has occurred in the Plumas Lake Specific Plan Area of Yuba County (located approximately 25 minutes north of Sacramento), which contains over 5,200 acres of land proposed to be developed with more than 12,000 residences over the next 20 years. Despite concerns about levee stability in the area, merchant builders have not shown pause. Most of the activity has occurred in the southern area of the Specific Plan, which currently is being developed by Cresleigh Homes (749 lots), California Homes (599 lots), Rio Del Oro (Yuba LLC) (372 lots and approximately 70 acres of proposed commercial land), Beazer Homes (959 lots), Lennar Renaissance (371 lots), Towne Development (227 lots) and Cassano Kamilos Homes (121 lots). With the exception of Rio Del Oro (Yuba LLC), who is a master developer within the southern Plumas Lake Specific Plan Area, all other merchant builders listed purchased their holdings between 2002 and 2004. Beazer Homes acquired its 846 lots through three separate bulk lot transactions, while Cresleigh Homes, California Homes, Lennar Renaissance, Towne Development and Cassano Kamilos Homes purchased their holdings in bulk via a single transaction.

In March 2005, the proposed Bickford Ranch master planned community, which is located in the southern portion of Placer County, just east of the city limits of Lincoln, sold from Lennar to SunCal for $210,000,000. The Bickford Ranch Specific Plan Area comprises three development communities, the Meadows, the Ridges and Heritage Ridge. The Meadows, located at the base of the development, is divided into seven residential areas with 22 lots ranging from three to ten acres. The

Ridges community is situated along the sloping portions of the development and contains 782 detached single-family residential lots, 66 attached townhouse lots and a multifamily residential parcel designated for 106 affordable housing units for age-restricted residents. Heritage Ridge is located along the ridge of the Bickford Ranch development and consists of 19 residential areas with 920 age-restricted single-family residential lots offering significant views of the Sacramento Valley and downtown Sacramento. Heritage Ridge will also include an 18-hole championship golf course. The Bickford Ranch master planned community will include a 9.7-acre commercial site. Under the terms of the purchase and sale agreement, SunCal will sell back to US Homes (Lennar) the 920 lots comprising the Heritage Ridge component of Bickford Ranch, along with the land designated for the golf course.

In the city of Rancho Cordova is the Anatolia master planned community, which encompasses approximately 1,214 gross acres designated for the development of 3,112 single-family residential lots, a multifamily site, commercial parcels, parks and two school sites. Additionally, this development has approximately 481.6 gross acres allocated to open space and wetland preserve. The 16 villages within Anatolia I and II were met by overwhelming demand from merchant builders, even at a time when litigation was ongoing and the future of the development was uncertain. The lawsuits have since been resolved and each of the villages has closed escrow, with home sales currently underway.

The Vineyard Creek residential community within the proposed North Vineyard Station Specific Plan sold in bulk in August 2005 from Lennar Communities, Inc. to Standard Pacific Homes, Corp. The transfer involved a total of 375 single-family lots and 7.1 acres of multifamily residential land. At the time of sale, the project had an approved tentative subdivision map.

Adjacent to the Fiddyment Ranch master planned community is the Westpark development, which is proposed for the development of 3,566 single-family residential lots (including 704 age-restricted and 85 affordable housing units), a multifamily residential component encompassing 694 developable units (including 341 affordable housing units), three commercial sites containing a combined 18.4 acres, a business professional (office) site measuring 10.5 acres, and three industrial sites totaling 108.5 acres. The entire Westpark development transferred in bulk from Westpark Associates to PL Roseville, LLC for $410 million in March 2005. The project was marketed for less than one year.

One of the more convincing observations suggesting strong demand for residential land in the subject's immediate area is the sale of several residential villages within the first phase of the subject development. Four villages sold to merchant builders within one year, with each village receiving multiple offers.

The preceding discussion suggests there is steady demand for developable residential land in the region. Even with the overall number of lots slated for development, it appears demand for residential land in the subject's immediate area outweighs current and projected supply. As detailed in a March 2006 article published in The Sacramento Bee, the Sacramento region has a 61.9% home ownership rate, which lags significantly behind the national rate of 70.3%. According to the California Building Industry Association, Metropolitan Sacramento needs more than 62,000 homes in addition to those already being built to serve the current population growth.

For an absorption discussion relating to new home sales in the Sacramento region, please reference the *Sacramento Metropolitan Area Housing Market Overview*. In general, demand for new residences over the past several years has been stable, and given the limited supply of entitled residential land, demand for production-oriented land is not expected to diminish over the near-term.

Considering the development timeline and scope of the Fiddyment Ranch master planned community, it is estimated the residential villages could transfer within two years of exposure to the market. Thus, the discounted cash flow analysis will reflect sales of residential lots within the first two years.

Multifamily Residential Component

In recent years, demand for high-density residential product in the Sacramento region has been stable to increasing, particularly in light of the escalating median home price, which forces entry-level homebuyers to seek housing in outlying areas or find alternate forms of housing. Generally, as single-family residential prices continue to increase, the affordability of the entry-level housing market decreases, creating a demand for multifamily or attached residential housing (e.g., condominiums and townhouses). Considering the vast single-family residential development proposed for the subject property, and taking into account the lack of entry-level product in the immediate area, it is anticipated the multifamily component of the subject property will sell in the second year.

Commercial and Office Components

The proposed residential development in the immediate area will generate the need for supporting uses. There are currently no neighborhood shopping centers or complimentary commercial uses in proximity to the subject property. As residential development expands, so does the demand for commercial-oriented uses. Considering the limited supply and anticipated demand for commercial uses in the immediate area, it is projected the commercial (retail) land areas could sell in years two and three. Similarly, the office land component is estimated to transfer by year three.

Annual Appreciation

Unlike income properties where there is a set rate of appreciation based on a specified index, estimation of housing appreciation/depreciation is highly speculative, especially in the current market, which has moderated relative to the significant appreciation in prices experienced over the past several years. Therefore, the value estimate is based on market conditions as of the date of inspection and is not trended.

EXPENSES

General and Administrative

These expenses consist of management fees, insurance, inspection fees, appraisal fees, legal and accounting fees and copying or publication costs. This expense category typically ranges from 2.5% to 4.0%, depending on length of project and if all of the categories are included in a builder's budget. Based on industry standard, we have used 3.0% for general and administrative expenses. This expense category is spread evenly over the entire sellout period.

Marketing and Sales

These expenses typically consist of advertising and promotion, warranty, model complex operation (maintenance, utilities, security), closing costs, sales trailer, sales office construction and operations (hostess, office supplies, telephone, computer lease), signs, models, restoration to production units and sales commissions. The expenses are expressed as a percentage of the gross sales revenue.

The range of marketing and sale expenses found in comparable projects is 5.0% to 6.5%. Considering the specifics of the subject property, a figure of 5.0%, or 3.0% for marketing and 2.0% for sales, is used in the marketing and sales expense categories.

Interim Ad Valorem Taxes and Assessments

This appraisal is predicated on, and assumes, a sale of the appraised property. Interim ad valorem real estate taxes are based on the subject's current tax rate (1.0743%). The taxes are anticipated to increase 2.0% annually. As the parcels are sold off, the average tax liability is estimated and then applied to the unsold inventory. Direct charges are also included in the estimate of property taxes.

Mello-Roos Community Facilities District (CFD)

With respect to special taxes, we have relied upon the Hearing Report, prepared by Economic and Planning Systems, Inc. (EPS), to determine the annual special tax levy on the subject property. The base year annual special taxes under the Fiddyment Ranch CFD No. 1 bond district are detailed

below. It is noted the base year special taxes are slightly higher for Phases II and III relative to Phase I. The special taxes are subject to a 2% annual escalation factor.

Proposed Land Use	Phase I Base Year Special Tax Per Lot/Unit/Acre	Phases II and III Base Year Special Tax Per Lot/Unit/Acre
LDR	$1,353 per lot	$1,366 per lot
MDR	$1,040 per lot	$1,051 per lot
MDR (Affordable)	N/Ap	$525 per lot
HDR	$520 per unit	$525 per unit
HDR (Affordable)	$260 per unit	$263 per unit
Commercial	$5,202 per acre	$5,254 per acre
Business Professional	$5,202 per acre	$5,254 per acre

Note: LDR - Low Density Residential, MDR - Medium Density Residential, HDR - High Density Residential

As with the property taxes, the hypothetical market valuation assumes a 2.0% annual escalating debt service.

The subject property will also be encumbered by public and municipal services special taxes, identified as Fiddyment Ranch CFD Nos. 2 and 3, respectively. These CFDs will fund services, including open space improvements, landscape corridor maintenance, neighborhood park improvements, storm water management, and other miscellaneous services. However, unlike the public facilities bond (Fiddyment Ranch CFD No. 1), the public services CFDs are in perpetuity and cannot be paid off (i.e. no expiration for annual payment). The maximum annual special taxes under Fiddyment Ranch CFD Nos. 2 and 3 are detailed below.

Proposed Land Use	Fiddyment Ranch CFD No. 2 - Public Services Base Year Special Tax Per Lot/Unit/Acre	Fiddyment Ranch CFD No. 3 - Municipal Services Base Year Special Tax Per Lot/Unit/Acre
LDR	$364 per lot	$293 per lot
MDR	$364 per lot	$293 per lot
MDR (Affordable)	$364 per lot	$293 per lot
HDR	$107 per unit	$196 per unit
HDR (Affordable)	$53 per unit	$196 per unit
Commercial	$551 per acre	$1,604 per acre
Business Professional	$771 per acre	$1,370 per acre

Note: LDR - Low Density Residential, MDR - Medium Density Residential, HDR - High Density Residential

Major Infrastructure Development (Offsite Improvements)

The developer has provided a cost budget indicating $153,011,484 in total infrastructure costs, excluding in-tracts, or on-site improvement costs. While the estimated costs are significantly higher than the budgeted costs in 2005, several costs have been updated, while costs that were previously unaccounted for were incorporated.

Based on the projected special taxes and bonded indebtedness for the Fiddyment Ranch Community Facilities District No. 1, prepared by Stone and Youngberg, LLC, total construction fund proceeds to be funded by the bond issuance equate to $27,209,871 for the Series 2005 bonds and $37,404,358 for the Series 2006 bonds, or $64,614,229 in total. Thus, assuming the public facilities to be financed by the proposed Fiddyment Ranch CFD No. 1 bond are in place as of the date of value, $88,397,255 ($153,011,484 - $64,614,229) remain as the offsite cost obligation of the master developer. As of the date of inspection, the developer had incurred $49,644,191 in offsite costs, of which $23,000,000 was paid through the Series 2005 bonds. The remaining amount of $26,644,191 is subtracted from the developer's offsite requirement of $88,397,255 to arrive at the net offsite costs ($61,753,064), assuming the completion of the public facilities to be financed by the Fiddyment Ranch Community Facilities District No. 1 bond issuance (Series 2005 and 2006 bonds).

The off-site development costs are the solely the responsibility of the master developer (Signature Properties); therefore, the net costs will be deducted in the discounted cash flow for this ownership alone. The infrastructure improvements will be installed over a two-year period, with the majority of the costs (75.0%) front loaded in the first year of the absorption schedule.

DISCOUNT RATE

The project yield rate is the rate of return on the total un-leveraged investment in a development, including both equity and debt. The leveraged yield rate is the rate of return to the "base" equity position when a portion of the development is financed. The "base" equity position represents the total equity contribution. The developer/builder may have funded all of the equity contribution, or a consortium of investors/builders as in a joint venture may fund it. Most surveys indicate that the threshold project yield requirement is about 20% to 30% for production home type projects. Instances in which project yields may be less than 20% is profit participation deals in master planned communities where the master developer limits the number of competing tracts.

According to a leading publication within the appraisal industry, *The Korpacz Real Estate Investor Survey*[19], discount rates for land development range from 12.00% to 25.00%, with an average of 18.15% during the Fourth Quarter of 2005. This represents a slight increase from an average of 18.05% during the Second Quarter of 2005. According to the data presented in the survey prepared by Korpacz, the majority of those respondents who use the discounted cash flow (DCF) method do

so free and clear of financing. Additionally, the participants reflect a preference in including the developer's profit in the discount rate, versus a separate line item for this factor. Accordingly, the range of rates presented above is inclusive of the developer's profit projection.

The discount rates are based on a survey that includes residential, office, retail and industrial developments. Participants in the survey indicate the highest expected returns are on large-scale, unapproved developments. The low end of the range was extracted from projects where certain development risks had been lessened or eliminated. Several respondents indicate they expect slightly lower returns when approvals/entitlements are already in place.

The project yield rate is compared with a developing in-house database of project yield rates for reasonableness. Developer surveys conducted during the current real estate cycle have elicited the following responses:

> Chris Downey of Hon Development - Minimum IRR requirements are 20-25%. For an 8 to 10 year cash flow, the return would be higher - say in the mid to upper 20's. Factors to consider in the estimation of the IRR include the upside potential, such as the potential to increase density, cut costs, etc. Hon Development has participated in both smaller scale residential community development and very large scale; full-integrated master planned community development with a wide variety of user types.
>
> Lyle McCullogh of California Pacific Homes - No less than 20% IRR for land development, either entitled or unentitled. California Pacific Homes is the residential development arm for the Irvine Company and has participated in master planned community development in Irvine, Northern California and San Diego County.
>
> Terry Ruckle of Grubb and Ellis - Mr. Ruckle is a broker involved in the sale of Northlakes, a 1,300-acre proposed master planned community in Castaic, Los Angeles County. Mr. Ruckle stated that the undisclosed buyer's IRR requirement was approximately 30%. He stated that this is fairly typical of the market for partially entitled master planned community land of this size and development range.
>
> Gary Gorian of Dale Poe Development - Dale Poe Development is the master land developer for Stevenson Ranch. They are in the business of buying, selling and developing land. Mr. Gorian said 25% IRR for land development is typical. For properties with significant infrastructure costs, he would expect a slightly higher IRR. He would look at an entitled piece of land, ready to go, separately from the unentitled land.
>
> David Pitts of Newhall Land and Farming - IRR's for land development deals should be in the low 20% range to 30% on an unleveraged basis, depending upon risk and length of the development period. Newhall Land is the master planned community developer of the community of Valencia. Additionally, Newhall Land has gained approvals for a new community that will be a larger master planned community in California.
>
> Mark Palkowitsh of MSP California, LLC - This company is based in Denver, Colorado. They purchase unentitled and partially entitled land and take it to entitlements and sell it. They are

[19] The Real Estate Investor Survey, Peter F. Korpacz and Associates, 4th Quarter 2005, Volume 18, Number 4.

currently involved in several Southern California large land deals, most in Riverside County and a few in Santa Clarita. They consider themselves risk takers and expect the higher returns for entitling properties. For large land deals from raw unentitled to tentative map stage, he would expect an IRR of 35%, unleveraged or leveraged. From tentative map to pad sales to merchant builders, an unleveraged IRR of 25% to 30% would be expected.

Rick Nieman of GFC - Mr. Nieman is involved with the purchase of Talega in San Clemente. Their IRR requirements for land with some entitlements is 18% to 22%, unleveraged. This return would be for developing and marketing the pads to merchant builders. They would anticipate an IRR of 30% for raw unentitled land with some entitlement "clean-up" involved. A recent example of this was the purchase of an industrial subdivision where they changed the entitlements to residential.

Roy Robertson of Ekotec - Mr. Robertson is an engineer and consultant to master plan developers. He previously worked for The Irvine Co. and has a great deal of experience of all levels of a master plan. For an unentitled property, the IRR requirements would be 20% to 30%. The lower end of the range would reflect those properties close to tentative maps.

Lin Stinson of Providence Realty Group - Mr. Stinson works with Security Capital and other private venture fund sources in acquiring land and joint venture partnerships in California and throughout the Pacific Southwest. He indicates that a yield rate in the low 20% range is required to attract capital to longer-term land holdings.

Gordon MacKenzie, formerly of Brookfield Development - Mr. MacKenzie has been directly involved with La Costa land holdings in San Diego County through two ownership's since the 1970's, up to the foreclosure with the Fieldstone Venture. When typical entitlement risk exists, he feels the IRR should be no less than 30%.

Dan Boyd of ESE Land Company and formerly of James Warmington Development indicated that merchant builder yield requirements were in the 20% range for traditionally financed tract developments. Larger land holdings would require 25% to 30% depending on the goals/patience of the funding partner. Environmentally challenged or politically risky development could well run in excess of 35% IRR with the possibility that some early entitlement/political work may be necessary before cooperative capital would become interested.

Higher profits are generally required for longer construction and sellout periods, as well as riskier projects. Profit is site specific with a number of factors to consider. These include, but are not limited to, the following:

- Entitlements
- Physical status of the property (raw/improved/partially improved)
- Moratoriums
- Endangered species
- Price range of the proposed units
- Construction/absorption period
- Location
- Amenities such as golf course orientation or views
- Future competition

Profit is estimated based on the perspective of a new buyer, not the current owner. The profit must be sufficient to attract investment based on the relative risks of the project.

While the subject property is still considered to exhibit a certain degree of risk, the positive attributes of the subject include: 1) the adoption of the West Roseville Specific Plan and approved Development Agreement for the subject development, 2) the stable market acceptance exhibited by sales within other subdivisions in the area, 3) the population and employment trends for the area, and 4) the assumption of completion of facilities to be financed by Fiddyment Ranch CFD No. 1 (Series 2005 and 2006 bonds). All of these factors tend to lessen the perceived risk of the subject property.

Based on the specifics of the Fiddyment Ranch master planned community discussed throughout the report, a discount rate towards the middle of the range reflected by the survey respondents appears reasonable. Thus, a discount factor of 18%, inclusive of developer's profit, will be utilized in this analysis.

Conclusion

After deriving the four components of the subdivision development approach, the discounted cash flows and hypothetical market value conclusions of the subject property by ownership are offered on the following pages. It is noted that the estimates of value consider the concurrent marketing of all the properties within the subject development.

HYPOTHETICAL VALUE – SIGNATURE PROPERTIES

Assumptions:

Component	No. of Lots/ Acres	Average Value Per Lot/Acre	Aggregate Value
Single-family Residential (SFR)	2,652	$182,455	$483,870,000
Multifamily Residential (MFR)	68.00	$662,206	$45,030,000
Commercial (Retail)	31.00	$632,258	$19,600,000
Business Professional (Office)	8.70	$435,632	$3,790,000
		Total	**$552,290,000**

General and Administrative	3.0%
Marketing and Sales	5.0%
Annual Increase in Property Tax	2.0%
First Year Taxes/Lot (SFR)	$1,197
First Year Taxes/Acre (MFR)	$4,345
First Year Taxes/Acre (Retail)	$4,148
First Year Taxes/Acre (Office)	$2,858
Avg. CFD Payments/Lot (SFR)	$1,964
CFD Payments/Acre (MFR)	$10,469
CFD Payments/Acre (Retail)	$7,380
CFD Payments/Acre (Office)	$7,366
Major Infrastructure Costs	$61,753,064
Discount Rate (IRR)	18.0%

Income and Expense Analysis:

Year	1	2	3	4	Total
Sales (SFR Lots):	1,616	1,036	0	0	2,652
Inventory (SFR Lots):	1,036	0	0	0	
Sales (MFR):	0.00	68.00	0.00	0.00	68.00
Inventory (MFR):	68.00	0.00	0.00	0.00	
Sales (Retail):	0.00	15.80	15.20	0.00	31.00
Inventory (Retail):	31.00	15.20	0.00	0.00	
Sales (Office):	0.00	0.00	8.70	0.00	8.70
Inventory (Office):	8.70	8.70	0.00	0.00	
Sales Revenue (SFR)	$294,846,878	$189,023,122	$0	$0	$483,870,000
Sales Revenue (MFR)	$0	$45,030,000	$0	$0	$45,030,000
Sales Revenue (Commercial - Retail)	$0	$9,989,677	$9,610,323	$0	$19,600,000
Sales Revenue (BP - Office)	$0	$0	$3,790,000	$0	$3,790,000
Total Sales Revenue	$294,846,878	$244,042,800	$13,400,323	$0	$552,290,000
Expenses					
General and Administrative	($5,522,900)	($5,522,900)	($5,522,900)	$0	($16,568,700)
Marketing and Sales	($14,742,344)	($12,202,140)	($670,016)	$0	($27,614,500)
Real Estate Taxes	($3,623,614)	($1,689,103)	($87,920)	$0	($5,400,637)
CFD Special Taxes	($6,213,909)	($3,100,507)	($179,785)	$0	($9,494,201)
Major Infrastructure Costs	($46,314,798)	($15,438,266)	$0	$0	($61,753,064)
Total Expenses	($76,417,565)	($37,952,915)	($6,460,622)	$0	($120,831,102)
NET INCOME	$218,429,313	$206,089,884	$6,939,701	$0	$431,458,898
Present Value Factor	0.84746	0.71818	0.60863	0.51579	
Discounted Cash Flow	$185,109,587	$148,010,546	$4,223,716	$0	$337,343,849
Net Present Value	$337,343,849				

CONCLUSION OF VALUE BY DISCOUNTED CASH FLOW ANALYSIS (RD) **$337,300,000**

HYPOTHETICAL MARKET VALUE – SHEA HOMES

Assumptions:

Designation	No. of Lots	Revenue
Parcel F-1A	93	$19,410,000

General and Administrative	3.0%
Marketing and Commissions	5.0%
First Year Taxes/Lot (SFR)	$1,720
Annual CFD Payments per Lot	$1,353
Discount Rate (IRR)	18.0%

Income and Expense Analysis:

Year	1	2	3	4	Total
Sales	93	0	0	0	93
Inventory	0	0	0	0	
Sales Revenue	$19,410,000	$0	$0	$0	$19,410,000
Expenses					
General and Administrative	($582,300)	$0	$0	$0	($582,300)
Marketing and Sales	($970,500)	$0	$0	$0	($970,500)
Real Estate Taxes	($159,963)	$0	$0	$0	($159,963)
CFD Special Taxes	($125,829)	$0	$0	$0	($125,829)
Total Expenses	($1,838,592)	$0	$0	$0	($1,838,592)
NET INCOME	$17,571,408	$0	$0	$0	$17,571,408
Present Value Factor	0.84746	0.71818	0.60863	0.51579	
Discounted Cash Flow	$14,891,024	$0	$0	$0	$14,891,024
Net Present Value	$14,891,024				

CONCLUSION OF VALUE BY DISCOUNTED CASH FLOW ANALYSIS (RD) **$14,890,000**

HYPOTHETICAL MARKET VALUE – MORRISON HOMES

Assumptions:

Designation	No. of Lots	Revenue
Parcel F-1B	83	$18,320,000

General and Administrative	3.0%
Marketing and Commissions	5.0%
First Year Taxes/Lot (SFR)	$1,820
Annual CFD Payments per Lot	$1,353
Discount Rate (IRR)	18.0%

Income and Expense Analysis:

Year	1	2	3	4	Total
Sales	83	0	0	0	83
Inventory	0	0	0	0	
Sales Revenue	$18,320,000	$0	$0	$0	$18,320,000
Expenses					
General and Administrative	($549,600)	$0	$0	$0	($549,600)
Marketing and Sales	($916,000)	$0	$0	$0	($916,000)
Real Estate Taxes	($151,047)	$0	$0	$0	($151,047)
CFD Special Taxes	($112,299)	$0	$0	$0	($112,299)
Total Expenses	($1,728,946)	$0	$0	$0	($1,728,946)
NET INCOME	$16,591,054	$0	$0	$0	$16,591,054
Present Value Factor	0.84746	0.71818	0.60863	0.51579	
Discounted Cash Flow	$14,060,216	$0	$0	$0	$14,060,216
Net Present Value	$14,060,216				

CONCLUSION OF VALUE BY DISCOUNTED CASH FLOW ANALYSIS (RD) $14,060,000

HYPOTHETICAL MARKET VALUE – CHRISTOPHERSON HOMES

Assumptions:

Designation	No. of Lots	Revenue
Parcel F-2	127	$27,520,000

General and Administrative	3.0%
Marketing and Commissions	5.0%
First Year Taxes/Lot (SFR)	$1,787
Annual CFD Payments per Lot	$1,353
Discount Rate (IRR)	18.0%

Income and Expense Analysis:

Year	1	2	3	4	Total
Sales	127	0	0	0	127
Inventory	0	0	0	0	
Sales Revenue	$27,520,000	$0	$0	$0	$27,520,000
Expenses					
General and Administrative	($825,600)	$0	$0	$0	($825,600)
Marketing and Sales	($1,376,000)	$0	$0	$0	($1,376,000)
Real Estate Taxes	($226,892)	$0	$0	$0	($226,892)
CFD Special Taxes	($171,831)	$0	$0	$0	($171,831)
Total Expenses	($2,600,323)	$0	$0	$0	($2,600,323)
NET INCOME	$24,919,677	$0	$0	$0	$24,919,677
Present Value Factor	0.84746	0.71818	0.60863	0.51579	
Discounted Cash Flow	$21,118,370	$0	$0	$0	$21,118,370
Net Present Value	$21,118,370				

CONCLUSION OF VALUE BY DISCOUNTED CASH FLOW ANALYSIS (RD) $21,120,000

HYPOTHETICAL MARKET VALUE – KB HOMES

Assumptions:

Designation	No. of Lots	Revenue
Parcel F-3	135	$27,900,000

General and Administrative	3.0%
Marketing and Commissions	5.0%
First Year Taxes/Lot (SFR)	$1,703
Annual CFD Payments per Lot	$1,353
Discount Rate (IRR)	18.0%

Income and Expense Analysis:

Year	1	2	3	4	Total
Sales	135	0	0	0	135
Inventory	0	0	0	0	
Sales Revenue	$27,900,000	$0	$0	$0	$27,900,000
Expenses					
General and Administrative	($837,000)	$0	$0	$0	($837,000)
Marketing and Sales	($1,395,000)	$0	$0	$0	($1,395,000)
Real Estate Taxes	($229,900)	$0	$0	$0	($229,900)
CFD Special Taxes	($182,655)	$0	$0	$0	($182,655)
Total Expenses	($2,644,555)	$0	$0	$0	($2,644,555)
NET INCOME	$25,255,445	$0	$0	$0	$25,255,445
Present Value Factor	0.84746	0.71818	0.60863	0.51579	
Discounted Cash Flow	$21,402,919	$0	$0	$0	$21,402,919
Net Present Value	$21,402,919				

CONCLUSION OF VALUE BY DISCOUNTED CASH FLOW ANALYSIS (RD) **$21,400,000**

HYPOTHETICAL MARKET VALUE – LENNAR CORPORATION

Assumptions:

Designation	No. of Lots	Revenue
Parcel F-5A	75	$14,300,000

General and Administrative	3.0%
Marketing and Commissions	5.0%
First Year Taxes/Lot (SFR)	$1,570
Annual CFD Payments per Lot	$1,353
Discount Rate (IRR)	18.0%

Income and Expense Analysis:

Year	1	2	3	4	Total
Sales	75	0	0	0	75
Inventory	0	0	0	0	
Sales Revenue	$14,300,000	$0	$0	$0	$14,300,000
Expenses					
General and Administrative	($429,000)	$0	$0	$0	($429,000)
Marketing and Sales	($715,000)	$0	$0	$0	($715,000)
Real Estate Taxes	($117,743)	$0	$0	$0	($117,743)
CFD Special Taxes	($101,475)	$0	$0	$0	($101,475)
Total Expenses	($1,363,218)	$0	$0	$0	($1,363,218)
NET INCOME	$12,936,782	$0	$0	$0	$12,936,782
Present Value Factor	0.84746	0.71818	0.60863	0.51579	
Discounted Cash Flow	$10,963,374	$0	$0	$0	$10,963,374
Net Present Value	$10,963,374				

CONCLUSION OF VALUE BY DISCOUNTED CASH FLOW ANALYSIS (RD) **$10,960,000**

FINAL CONCLUSION OF HYPOTHETICAL MARKET VALUE

The purpose of this appraisal has been to estimate the hypothetical market values (*fee simple estate*) for each ownership entity, as well as the hypothetical cumulative value of the properties in the District, assuming the completion of the primary infrastructure and facilities to be financed by the Fiddyment Ranch Community Facilities District No. 1 bond issuance (Series 2005 and 2006 bonds). The hypothetical market value estimates also account for the impact of the lien of the Special Tax securing the bonds. After analyzing current market information and trends, and in accordance with the definitions, certifications, assumptions and significant factors contained within the attached document (please refer to pages 9 through 11), it is our opinion the hypothetical market values of the subject property by ownership, as of June 12, 2006, are…

Owner/Developer	Hypothetical Market Value
Signature Properties (Master Developer)	$337,300,000
Shea Homes	$14,890,000
Morrison Homes	$14,060,000
Christopherson Homes	$21,120,000
KB Homes	$21,400,000
Lennar Corporation	$10,960,000
Hypothetical Cumulative Value	**$419,730,000**

The sum of the hypothetical market values for the individual ownership entities represents the hypothetical cumulative value of the properties within the District, which is not equivalent to the hypothetical market value of the District as a whole.

Exposure Time

Exposure time is the period a property interest would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal. For a complete definition of exposure time, please reference the *Glossary of Terms* in the Addenda.

In attempting to estimate a reasonable exposure time for the subject property, we looked at both the historical exposure times of a number of sales, as well as current and past economic conditions. The real estate market in the Sacramento region has been very strong for the past several years. A transfer of residential and commercial properties in the region typically occurs within 6 to 12 months of exposure. Please reference the absorption section of the discounted cash flow analysis for information relating to specific projects. It is estimated the exposure time for the subject property would be 12 months on a wholesale basis.

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT

The following summary of the Fiscal Agent Agreement is a summary only and does not purport to be a complete statement of the contents thereof. Reference is made to the Fiscal Agent Agreement for the complete terms thereof.

Definitions

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

"Administrative Expenses" means any or all of the following: the fees and expenses of the Fiscal Agent (including any fees or expenses of its counsel), the expenses of the City in carrying out its duties under the Fiscal Agent Agreement (including, but not limited to, the levying and collection of the Special Taxes, and the foreclosure of the liens of delinquent Special Taxes) including the fees and expenses of its counsel, an allocable share of the salaries of City staff directly related thereto and a proportionate amount of City general administrative overhead related thereto, any amounts paid by the City from its general funds pursuant to the Fiscal Agent Agreement, and all other costs and expenses of the City or the Fiscal Agent incurred in connection with the issuance and administration of the Bonds and/or the discharge of their respective duties under the Fiscal Agent Agreement (including, but not limited to, the calculation of the levy of the Special Taxes, foreclosures with respect to delinquent taxes, and the calculation of amounts subject to rebate to the United States) and, in the case of the City, in any way related to the administration of the District. Administrative Expenses shall include any such expenses incurred in prior years but not yet paid, and any advances of funds by the City under the Fiscal Agent Agreement.

"Agreement" means the Fiscal Agent Agreement dated as of August 1, 2005 and a First Supplement to Fiscal Agent Agreement dated as of August 1, 2006, by and between the City and the Fiscal Agent, as it may be amended or supplemented from time to time by any Supplemental Agreement.

"Annual Debt Service" means, for each Bond Year, the sum of (i) the interest due on the Outstanding Bonds in such Bond Year, assuming that the Outstanding Bonds are retired as scheduled, and (ii) the principal amount of the Outstanding Bonds including any mandatory sinking fund payments due in such Bond Year.

"Authorized Officer" means the City Administrative Services Director, Finance Director, City Manager or any other officer or employee authorized by the City Council of the City or by an Authorized Officer to undertake the action referenced in the Fiscal Agent Agreement as required to be undertaken by an Authorized Officer.

"Bond Counsel" means any attorney or firm of attorneys acceptable to the City and nationally recognized for expertise in rendering opinions as to the legality and tax-exempt status of securities issued by public entities.

"Bond Year" means each twelve-month period beginning on September 2 in any year and extending to the next succeeding September 1, both dates inclusive; except that the first Bond Year shall begin on the Closing Date and end on September 1, 2006.

"Bonds" means the District's Special Tax Bonds, Series 2005, the 2006 Bonds, and any Additional Bonds authorized to be issued under at any time Outstanding under the Fiscal Agent Agreement or any Supplemental Agreement.

"Business Day" means any day other than (i) a Saturday or a Sunday or (ii) a day on which banking institutions in the state in which the Principal Office of the Fiscal Agent is located are authorized or obligated by law or executive order to be closed.

"CDIAC" means the California Debt and Investment Advisory Commission of the office of the State Treasurer of the State of California or any successor agency or bureau thereto.

"City" means the City of Roseville, California, and any successor thereto.

"Closing Date" means the date upon which there is a physical delivery of the Bonds in exchange for the amount representing the purchase price of the Bonds by the Original Purchaser.

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

"Continuing Disclosure Agreement" means the Continuing Disclosure Agreement, dated as of August 1, 2006, by and among the City and Goodwin Consulting Group, Inc., in its capacity as Dissemination Agent, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"Cost of Issuance" means items of expense payable or reimbursable directly or indirectly by the City and related to the authorization, sale and issuance of the Bonds, which items of expense shall include, but not be limited to, printing costs, costs of reproducing and binding documents, closing costs, filing and recording fees, initial fees, expenses and charges of the Fiscal Agent including its first annual administration fee, expenses incurred by the City in connection with the issuance of the Bonds, financial advisor fees, Bond (underwriter's) discount or underwriting fee, legal fees and charges, including bond counsel, charges for execution, transportation and safekeeping of the Bonds and other costs, charges and fees in connection with the foregoing.

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

"Debt Service" means the scheduled amount of interest and amortization of principal payable on the Bonds during the period of computation, excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period.

"Debt Service Account" means the account of the Special Tax Fund by that name established under the Fiscal Agent Agreement.

"District" means the City of Roseville Fiddyment Ranch Community Facilities District No. 1 (Public Facilities) formed pursuant to the Resolution of Formation.

"*Fair Market Value*" means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (iii) the investment is a United States Treasury Security—State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) the investment is the Local Agency Investment Fund of the State of California, but only if at all times during which the investment is held its yield is reasonably expected to be equal to or greater than the yield on a reasonably comparable direct obligation of the United States.

"Federal Securities" means any of the following which are non-callable and which at the time of investment are legal investments under the laws of the State of California for funds held by the Fiscal Agent (the Fiscal Agent entitled to rely upon investment direction from the City as a certification that such investment constitutes a legal investment).

(i) Direct general obligations of the United States of America (including obligations issued or held in book-entry form on the books of the United States Department of the Treasury) and obligations, the payment of principal of and interest on which are directly or indirectly guaranteed by the United States of America, including, without limitation, such of the foregoing which are commonly referred to as "stripped" obligations and coupons; or

(ii) Any of the following obligations of the following agencies of the United States of America: (i) direct obligations of the Export-Import Bank, (ii) certificates of beneficial ownership issued by the Farmers Home Administration, (iii) participation certificates issued by the General Services Administration, (iv) mortgage-backed bonds or passthrough obligations issued and guaranteed by the Government National Mortgage Association, (v) project notes issued by the United States Department of Housing and Urban Development, and (vi) public housing notes and bonds guaranteed by the United States of America.

"Fiscal Agent" means the Fiscal Agent appointed by the City and acting as an independent fiscal agent with the duties and powers herein provided, its successors and assigns, and any other corporation or association which may at any time be substituted in its place, as provided in the Fiscal Agent Agreement.

"Fiscal Year" means the twelve-month period extending from September 1 in a calendar year to June 30 of the succeeding year, both dates inclusive.

"Information Services" means Financial Information, Inc 's "Daily Called Bond Service," 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention Editor; Kenny Information Services' "Called Bond Service," 65 Broadway, 16th Floor, New York, New York 10064; Mergent/FIS, Inc., 5250 77 Center Drive, Charlotte, North Carolina 28217, Attention Municipal News Reports; Standard & Poor's Ratings Services "Called Bond Record," 25 Broadway, 3rd Floor, New York, New York 10004; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such services providing information with respect to called bonds as the City may designate in an Officer's Certificate delivered to the Fiscal Agent.

"Interest Payment Dates" means March 1 and September 1 of each year, commencing March 1, 2007.

"Maximum Annual Debt Service" means the largest Annual Debt Service for any Bond Year after the calculation is made through the final maturity date of any Outstanding Bonds.

"Officer's Certificate" means a written certificate of the City signed by an Authorized Officer of the City.

"Ordinance" means any ordinance of the City levying the Special Taxes.

"Original Purchaser" means the first purchaser of the Bonds from the City.

"Outstanding," when used as of any particular time with reference to Bonds, means (subject to the provisions of the Fiscal Agent Agreement) all Bonds except (i) Bonds theretofore canceled by the Fiscal Agent or surrendered to the Fiscal Agent for cancellation; (ii) Bonds paid or deemed to have been paid within the meaning of the Fiscal Agent Agreement; and (iii) Bonds in lieu of or in substitution for

which other Bonds shall have been authorized, executed, issued and delivered by the City pursuant to the Agreement or any Supplemental Agreement.

"Owner" or *"Bondowner"* means any person who shall be the registered owner of any Outstanding Bond.

"Participating Underwriter" shall have the meaning ascribed thereto in the Continuing Disclosure Agreement.

"Permitted Investments" means any of the following, to the extent that they are lawful investments for City funds at the time of investment, and are acquired at Fair Market Value (the Fiscal Agent entitled to rely upon investment direction from the City as a certification that such investment constitutes a legal investment):

(i) Federal Securities;

(ii) any of following obligations of federal agencies not guaranteed by the United States of America: (a) debentures issued by the Federal Housing Administration; (b) participation certificates or senior debt obligations of the Federal Home Loan Mortgage Corporation or Farm Credit Banks (consisting of Federal Land Banks, Federal Intermediate Credit Banks or Banks for Cooperatives); (c) bonds or debentures of the Federal Home Loan Bank Board established under the Federal Home Loan Bank Act, bonds of any federal home loan bank established under said act and stocks, bonds, debentures, participations and other obligations of or issued by the Federal National Mortgage Association, the Student Loan Marketing Association, the Government National Mortgage Association and the Federal Home Loan Mortgage Corporation; and bonds, notes or other obligations issued or assumed by the International Bank for Reconstruction and Development;

(iii) interest-bearing demand or time deposits (including certificates of deposit) in federal or State of California chartered banks (including the Fiscal Agent), provided that (a) in the case of a savings and loan association, such demand or time deposits shall be fully insured by the Federal Deposit Insurance Corporation, or the unsecured obligations of such savings and loan association shall be rated in one of the top two rating categories by a nationally recognized rating service, and (b) in the case of a bank, such demand or time deposits shall be fully insured by the Federal Deposit Insurance Corporation, or the unsecured obligations of such bank (or the unsecured obligations of the parent bank holding company of which such bank is the lead bank) shall be rated in one of the top two rating categories by a nationally recognized rating service;

(iv) repurchase agreements with a registered broker/dealer subject to the Securities Investors Protection Corporation Liquidation in the event of insolvency, or any commercial bank provided that: (a) the unsecured obligations of such bank shall be rated in one of the top two rating categories by a nationally recognized rating service, or such bank shall be the lead bank of a banking holding company whose unsecured obligations are rated in one of the top two rating categories by a nationally recognized rating service; (b) the most recent reported combined capital, surplus an undivided profits of such bank shall be not less than $100 million; (c) the repurchase obligation under any such repurchase obligation shall be required to be performed in not more than thirty (30) days; (d) the entity holding such securities as described in clause (c) shall have a pledged first security interest therein for the benefit of the Fiscal Agent under the California Commercial Code or pursuant to the book-entry procedures described by 31 C.F.R. 306.1 *et seq.* or 31 C.F.R. 350.0 *et seq.* and are rated in one of the top two rating categories by a nationally recognized rating service;

(v) bankers acceptances endorsed and guaranteed by banks described in clause (iv) above;

(vi) obligations, the interest on which is exempt from federal income taxation under Section 103 of the Code and which are rated in the one of the top two rating categories by a nationally recognized rating service;

(vii) money market funds which invest solely in Federal Securities or in obligations described in the preceding clause (ii) of this definition, or money market funds which are rated in the highest rating category by Standard & Poor's Ratings Services or Moody's Investor Service, including funds which are managed or maintained by the Fiscal Agent;

(viii) units of a taxable government money market portfolio comprised solely of obligations listed in (i) and (iv) above;

(ix) any investment which is a legal investment for proceeds of the Bonds at the time of the execution of such agreement, and which investment is made pursuant to an agreement between the City or the Fiscal Agent or any successor Fiscal Agent and a financial institution or governmental body whose long term debt obligations are rated in one of the top two rating categories by a nationally recognized rating service;

(x) commercial paper of "prime" quality of the highest ranking or of the highest letter and numerical rating as provided for by Moody's Investors Service, or Standard and Poor's Corporation, of issuing corporations that are organized and operating within the United States and having total assets in excess of five hundred million dollars ($500,000,000) and having an "AA" or higher rating for the issuer's debentures, other than commercial paper, as provided for by Moody's Investors Service or Standard and Poor's Corporation, and provided that purchases of eligible commercial paper may not exceed 180 days maturity nor represent more than 10 percent of the outstanding paper of an issuing corporation;

(xi) any general obligation of a bank or insurance company whose long term debt obligations are rated in one of the two highest rating categories of a national rating service;

(xii) shares in a common law trust established pursuant to Title 1, Division 7, Charter 5 of the Government Code of the State which invests exclusively in investments permitted by Section 53635 of Title 5, Division 2, Chapter 4 of the Government Code of the State, as it may be amended;

(xiii) shares in the California Asset Management Program; or

(xiii) the Local Agency Investment Fund established pursuant to Section 16429.1 of the Government Code of the State of California, *provided, however,* that the Fiscal Agent shall be permitted to make investments and withdrawals in its own name and the Fiscal Agent may restrict investments in the such fund if necessary to keep moneys available for the purposes of the Fiscal Agent Agreement.

(xiv) any other lawful investment for City funds.

"Principal Office" means the corporate trust office of the Fiscal Agent in San Francisco, California, or such other or additional offices as may be designated by the Fiscal Agent.

"Project" means the acquisitions and improvements described in the Resolution of Intention.

"Record Date" means the fifteenth (15th) day of the month next preceding the month of the applicable Interest Payment Date.

"Regulations" means temporary and permanent regulations promulgated under the Code.

"Reserve Fund Credit Instrument" means a surety bond issued by an insurance company rated in the highest rating category by Standard & Poor's and Moody's.

"Reserve Requirement" means an amount equal to the lesser of (a) Maximum Annual Debt Service on the Outstanding Bonds, (b) 125% of average annual Debt Service, or (c) ten percent (10%) of the total proceeds of the Bonds deposited under the Fiscal Agent Agreement.

"Resolution" means Resolution No. 04-449, adopted by the City Council of the City on September 15, 2004, which resolution, among other matters, authorized the issuance of the 2005 Bonds and Resolution No. 06-391, adopted by the City Council of the City on July 19, 2006, which resolution, among other matters, authorized the issuance of the 2006 Bonds.

"Resolution of Formation" means Resolution No. 04-445, adopted by the City Council of the City on September 15, 2004, establishing the District for the purpose of providing for the financing of certain public facilities in and for such District.

"Securities Depositories" means The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Fax-(516) 227-4039 or 4190; Midwest Securities Trust Company, Capital Structures-Call Notification, 440 South LaSalle Street, Chicago, Illinois 60605, Fax-(312) 663-2343; Philadelphia Depository Trust Company, Reorganization Division, 1900 Market Street, Philadelphia, Pennsylvania 19103, Attention Bond Department, Dex-(215) 496-5058; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the City may designate in an Officer's Certificate delivered to the Fiscal Agent.

"Special Tax Revenues" means the proceeds of the Special Taxes received by the City, including all scheduled payments and delinquent payments thereof, interest and penalties thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes.

"Special Taxes" means the special taxes levied within the District pursuant to the Act, the Ordinance and the Fiscal Agent Agreement.

"Supplemental Agreement" means an agreement the execution of which is authorized by a resolution which has been duly adopted by the City under the Act and which agreement is amendatory of or supplemental to the Fiscal Agent Agreement, but only if and to the extent that such agreement is specifically authorized under the Fiscal Agent Agreement.

"Treasurer" means the duly acting Treasurer of the City or if the City has no Treasurer, the Administrative Services Director of the City.

Special Tax Revenues; Flow of Funds

Pledge of Special Tax Revenues. All of the Special Tax Revenues and all moneys deposited in the Bond Fund, the Reserve Fund and, until disbursed as provided in the Fiscal Agent Agreement, in the Special Tax Fund are pledged to secure the repayment of the Bonds. Such pledge shall constitute a first lien on the Special Tax Revenues and said amounts. The Special Tax Revenues and all moneys deposited in such funds (except as otherwise provided in the Fiscal Agent Agreement) are dedicated in their entirety to the payment of the principal of, and interest and any premium on, the Bonds as provided in the Fiscal Agent Agreement and in the Act until all of the Bonds have been paid and retired or until moneys or Defeasance Obligations have been set aside irrevocably for that purpose in accordance with the Fiscal Agent Agreement. Amounts in the Costs of Issuance Fund are not pledged to the repayment of the Bonds.

Special Tax Fund.

Establishment of Special Tax Fund. There is established under the Fiscal Agent Agreement as a separate fund to be held by the Treasurer, the Fiddyment Ranch Community Facilities District No. 1

Special Tax Bonds Special Tax Fund, to the credit of which the City shall deposit, immediately upon receipt, all Special Tax Revenues received by the City and any amounts required by the Fiscal Agent Agreement to be deposited therein. Within the Special Tax Fund, the Treasurer will establish and maintain two accounts: (i) the Debt Service Account, to the credit of which the City will deposit, immediately upon receipt, all Special Tax Revenues, and (ii) the Surplus Account, to the credit of which the City will deposit, immediately upon receipt, surplus Special Tax Revenues, as described below. Moneys in the Special Tax Fund will be disbursed as provided below and, pending any disbursement, will be subject to a lien in favor of the Owners of the Bonds.

All Special Tax Revenues shall be deposited in the Debt Service Account upon receipt. No later than ten (10) Business Days prior to each Interest Payment Date, the City will withdraw from the Debt Service Account of the Special Tax Fund and transfer (i) to the Fiscal Agent for deposit in the Reserve Fund an amount such that the amount then on deposit therein is equal to the Reserve Requirement, and (ii) to the Fiscal Agent for deposit in the Bond Fund an amount, taking into account any amounts then on deposit in the Bond Fund such that the amount in the Bond Fund equals the principal, premium, if any, and interest due on the Bonds on the next Interest Payment Date. At such time as deposits to the Debt Service Account equal the principal, premium, if any, and interest becoming due on the Bonds for the current Bond Year, including any mandatory sinking fund payments required to be made, and the amount needed to restore the Reserve Fund balance to the Reserve Requirement, the amount in the Debt Service Account in excess of such amount may, at the discretion of the City, be transferred to the Surplus Account, which will occur on or after September 15th of each year.

Bond Fund.

Establishment of the Bond Fund. There is established under the Fiscal Agent Agreement as a separate fund to be held by the Fiscal Agent the Fiddyment Ranch Community Facilities District No. 1 Special Tax Bonds Bond Fund, to the credit of which deposits shall be made as required by the Fiscal Agent Agreement or the Act. Moneys in the Bond Fund shall be held in trust by the Fiscal Agent for the benefit of the Owners of the Bonds, shall be disbursed for the payment of the principal of, and interest and any premium on, the Bonds as provided below, and, pending such disbursement, shall be subject to a lien in favor of the Owners of the Bonds.

Disbursements. On each Interest Payment Date, the Fiscal Agent shall withdraw from the Bond Fund and pay to the Owners of the Bonds the principal of, and interest and any premium, then due and payable on the Bonds, including any amounts due on the Bonds by reason of the sinking payments set forth in the Fiscal Agent Agreement or any redemption of the Bonds pursuant to the Fiscal Agent Agreement.

In the event that amounts in the Bond Fund are insufficient to pay regularly scheduled payments of principal of and interest on the Bonds, the Fiscal Agent shall withdraw from the Reserve Fund to the extent of any funds therein, the amount of such insufficiency, and the Fiscal Agent shall provide written notice to the Treasurer and Administrative Services Director of the amounts so withdrawn from the Reserve Fund. Amounts so withdrawn from the Reserve Fund shall be deposited in the Bond Fund.

If, after the foregoing transfer, there are insufficient funds in the Bond Fund to make the payments provided for to pay regularly scheduled payments of principal of and interest on the Bonds, the Fiscal Agent shall apply the available funds first to the payment of interest on the Bonds, then to the payment of principal due on the Bonds other than by reason of sinking payments, and then to payment of principal due on the Bonds by reason of sinking payments. Any sinking payment not made as scheduled shall be added to the sinking payment to be made on the next sinking payment date.

Deficiency. If at any time it appears to the Fiscal Agent that there is a danger of deficiency in the Bond Fund and that the Fiscal Agent may be unable to pay regularly scheduled debt service on the Bonds in a timely manner, the Fiscal Agent shall report to the Treasurer and Administrative Services Director such fact. The City covenants to increase the levy of the Special Taxes in the next Fiscal Year (subject to the maximum amount authorized by the Resolution of Formation) in accordance with the procedures set forth in the Act for the purpose of curing Bond Fund deficiencies.

Reserve Fund.

There is established in the Fiscal Agent Agreement as a separate fund to be held by the Fiscal Agent the Fiddyment Ranch Community Facilities District No. 1 Special Tax Bonds Reserve Fund. In lieu of funding the Reserve Fund with cash or in replacement thereof, the Reserve Fund may be funded with a Reserve Fund Credit Instrument. Moneys in the Reserve Fund shall be held in trust by the Fiscal Agent for the benefit of the Owners of the Bonds as a reserve for the payment of principal of, and interest on, the Bonds and shall be subject to a lien in favor of the Owners of the Bonds.

Use of Fund. Except as otherwise provided in the Fiscal Agent Agreement, all amounts deposited in the Reserve Fund shall be used and withdrawn by the Fiscal Agent solely for the purpose of making transfers to the Bond Fund in the event of any deficiency at any time in the Bond Fund of the amount then required for payment of the principal of, and interest on, the Bonds. Whenever transfer is made from the Reserve Fund to the Bond Fund due to a deficiency in the Bond Fund, the Fiscal Agent shall provide written notice thereof to the Treasurer and the Administrative Services Director.

Transfer of Excess of Reserve Requirement. Whenever, on the Business Day prior to any Interest Payment Date, the amount in the Reserve Fund exceeds the then applicable Reserve Requirement, the Fiscal Agent shall transfer an amount equal to the excess from the Reserve Fund to the Improvement Fund, if the Improvements have not been completed as of the date of such transfer, or if the Improvements have been completed, to the Bond Fund to be used for the payment of the principal of and interest on the Bonds.

Transfer for Rebate Purposes. Investment earnings on amounts in the Reserve Fund may be withdrawn from the Reserve Fund for purposes of making payment to the federal government to comply with rebate requirements.

Transfer When Balance Exceeds Outstanding Bonds. Whenever the balance in the Reserve Fund exceeds the amount required to redeem or pay the Outstanding Bonds, including interest accrued to the date of payment or redemption and after making premium, if any, due upon redemption, and make any transfer required under the Fiscal Agent Agreement and upon receipt of an Officer's Certificate directing it to do so, the Fiscal Agent shall transfer the amount in the Reserve Fund to the Bond Fund to be applied, on the next succeeding Interest Payment Date to the payment and redemption of all of the Outstanding Bonds. In the event that the amount so transferred from the Reserve Fund to the Bond Fund exceeds the amount required to pay and redeem the Outstanding Bonds, the balance in the Reserve Fund shall be transferred to the City, after payment of any amounts due the Fiscal Agent, to be used for any lawful purpose of the City.

Improvement Fund.

Establishment of Improvement Fund. There is established in the Fiscal Agent Agreement as a separate fund to be held by the Administrative Services Director, the Fiddyment Ranch Community Facilities District No. 1 Special Tax Bonds Improvement Fund to the credit of which a deposit shall be made as required by the Fiscal Agent Agreement. Moneys in the Improvement Fund shall be held in trust by the Administrative Services Director and shall be disbursed as provided in the Fiscal Agent Agreement for the payment or reimbursement of costs of the Project.

Procedure for Disbursement. Disbursements from the Improvement Fund shall be made as determined by the Administrative Services Director for the payment or reimbursement of the costs of the Project, including for costs of acquisition of portions of the Project in accordance with the Acquisition Agreement.

Investment. Moneys in the Improvement Fund and the accounts established thereunder shall be invested and deposited in accordance with the Fiscal Agent Agreement. Interest earnings and profits from the investment of amounts in the Improvement Fund shall be retained by the Administrative Services Director in the Improvement Fund to be used for the purposes of the Improvement Fund.

Closing of Fund. Upon the filing of an Officer's Certificate stating that the portion of the Project to be financed from the Improvement Fund and the accounts established thereunder has been completed and that all costs of such portion of the Improvements have been paid or are not required to be paid from the Improvement Fund, the Administrative Services Director shall transfer the amount, if any, remaining in the Improvement Fund to the Fiscal Agent for deposit in the Bond Fund for application to the payment of principal of and interest on the Bonds in accordance with the Fiscal Agent Agreement and the Improvement Fund shall be closed.

Costs of Issuance Fund.

Establishment of Costs of Issuance Fund. There is established under the Fiscal Agent Agreement as a separate fund to be held by the Fiscal Agent, the Fiddyment Ranch Community Facilities District No. 1 Special Tax Bonds Costs of Issuance Fund. Moneys in the Costs of Issuance Fund shall be held in trust by the Fiscal Agent and shall be disbursed for the payment or reimbursement of Costs of Issuance.

Disbursement. Amounts in the Costs of Issuance Fund shall be disbursed from time to time to pay Costs of Issuance, as set forth in a requisition containing respective amounts to be paid to the designated payees, signed by the Treasurer or Administrative Services Director or a designee thereof and delivered to the Fiscal Agent. The Fiscal Agent shall maintain the Costs of Issuance Fund for a period of six months, from the Closing Date and then shall transfer any moneys remaining therein, including any investment earnings thereon, to the Treasurer for deposit by the Treasurer in the Special Tax Fund. Thereafter, every invoice received by the Fiscal Agent shall be submitted to the Treasurer or Administrative Services Director for payment from amounts on deposit in the Special Tax Fund.

Certain Covenants of the City

Punctual Payment. The City will punctually pay or cause to be paid the principal of, and interest and any premium on, the Bonds when and as due in strict conformity with the terms of the Fiscal Agent Agreement, and it will faithfully observe and perform all of the conditions covenants and requirements of the Fiscal Agent Agreement and all Supplemental Agreements and of the Bonds.

Limited Obligation. The Bonds are limited obligations of the City on behalf of the District and are payable solely from and secured solely by the Special Tax Revenues and the amounts in the Bond Fund, the Reserve Fund and the Special Tax Fund created under the Fiscal Agent Agreement.

Extension of Time for Payment. In order to prevent any accumulation of claims for interest after maturity, the City shall not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any of the Bonds and shall not, directly or indirectly, be a party to the approval of any such arrangement by purchasing or funding said claims for interest or in any other manner. In case any such claim for interest shall be extended or funded, whether or not with the consent of the City, such claim for interest so extended or funded shall not be entitled, in case of default under the Fiscal Agent Agreement, to the benefits of the Fiscal Agent Agreement, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which shall not have been so extended or funded.

Against Encumbrances. The City will not encumber, pledge or place any charge or lien upon any of the Special Tax Revenues or other amounts pledged to the Bonds superior to or on a parity with the pledge and lien herein created for the benefit of the Bonds, except as permitted by the Fiscal Agent Agreement.

Books and Accounts. The City will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the City, in which complete and correct entries shall be made of all transactions relating to the expenditure of amounts disbursed from the Special Tax Fund and to the Special Tax Revenues. Such books of record and accounts shall at all times during business hours be subject to the inspection of the Fiscal Agent and the Owners of not less than ten percent (10%) of the principal amount of the Bonds then Outstanding, or their representatives duly authorized in writing.

Protection of Security and Rights of Owners. The City will preserve and protect the security of the Bonds and the rights of the Owners, and will warrant and defend their rights against all claims and demands of all persons. From and after the delivery of any of the Bonds by the City, the Bonds shall be incontestable by the City.

Compliance with Law; Completion of Project. The City will comply with all applicable provisions of the Act and the law in completing the acquisition and construction of the Project; provided that the City shall have no obligation to advance any funds to complete the Project in excess of the amounts available therefor in the Improvement Fund.

Collection of Special Tax Revenues. The City shall comply with all requirements of the Act so as to assure the timely collection of Special Tax Revenues, including without limitation, the enforcement of delinquent Special Taxes. On or within five (5) Business Days of each June 1, the Fiscal Agent shall provide the Treasurer and Administrative Services Director with a notice stating the amount then on deposit in the Bond Fund and the Reserve Fund. The receipt of such notice by the Treasurer and Administrative Services Director shall in no way affect the obligations of the Treasurer or Administrative Services Director under the following two paragraphs. Upon receipt of such notice, the Treasurer shall communicate with the Administrative Services Director to ascertain the relevant parcels on which the Special Taxes are to be levied, taking into account any parcel splits during the preceding and then current year.

The City shall effect the levy of the Special Taxes each Fiscal Year in accordance with the Ordinance such that the computation of the levy is complete before the final date on which County Auditor will accept the transmission of the Special Tax amounts for the parcels within the District for inclusion on the next secured real property tax roll. Upon the completion of the computation of the amounts of the levy, the City shall prepare or cause to be prepared, and shall transmit to the Administrative Services Director, such data as the County Auditor requires to include the levy of the Special Taxes on the next secured real property tax roll.

The City shall fix and levy the amount of Special Taxes within the District required for the payment of principal of and interest on any outstanding Bonds of the District becoming due and payable during the ensuing year, including any necessary replenishment or expenditure of the Reserve Fund for the Bonds and an amount estimated to be sufficient to pay the Administrative Expenses during such year, all in accordance with the rate and method of apportionment of the Special Taxes for the District and the Ordinance. In any event, the Special Taxes so levied shall not exceed the authorized amounts as provided in the proceedings pursuant to the Resolution of Formation.

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

Maintenance of Tax-Exemption. The City shall take all actions necessary to assure the exclusion of interest on the Bonds from the gross income of the Owners of the Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the Bonds.

Investments; Disposition of Investment Proceeds

Deposit and Investment of Moneys in Funds. Moneys in any fund or account created or established by the Fiscal Agent Agreement and held by the Fiscal Agent shall be invested by the Fiscal Agent in Permitted Investments, as directed pursuant to an Officer's Certificate filed with the Fiscal Agent at least two Business Days in advance of the making of such investments.

The Fiscal Agent or the Treasurer, as applicable, shall sell or present for redemption, any investment security whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such investment security is credited and neither the Fiscal Agent nor the Treasurer shall be liable or responsible for any loss resulting from the acquisition or disposition of such investment security in accordance with the Fiscal Agent Agreement.

Rebate of Excess Investment Earnings to the United States. The City covenants to calculate and rebate to the federal government, in accordance with the Regulations, excess investment earnings to the extent required by Section 148(f) of the Code. The City shall notify the Fiscal Agent of any amounts determined to be due to the federal government, and the Fiscal Agent shall, upon receipt of an Officer's Certificate of the City, withdraw such amounts from the Reserve Fund pursuant to the Fiscal Agent Agreement, and pay such amounts to the federal government as required by the Code and the Regulations. In the event of any shortfall in amounts available to make such payments, the Fiscal Agent shall notify the Administrative Services Director in writing of the amount of the shortfall and the Administrative Services Director shall make such payment from any amounts available in the Special Tax Fund.

The Fiscal Agent

Removal or Resignation of Fiscal Agent. The City may remove the Fiscal Agent initially appointed, and any successor thereto, and may appoint a successor or successors thereto, but any such successor shall be a bank or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least Fifty Million Dollars ($50,000,000) including, for such purpose, the combined capital and surplus of any parent holding company, and subject to supervision or examination by federal or state authority.

The Fiscal Agent may at any time resign by giving written notice to the City and by giving to the Owners notice by mail of such resignation. Upon receiving notice of such resignation, the City shall promptly appoint a successor Fiscal Agent by an instrument in writing. Any resignation or removal of the Fiscal Agent shall become effective upon acceptance of appointment by the successor Fiscal Agent.

If no appointment of a successor Fiscal Agent has be made within thirty (30) days after the Fiscal Agent has given to the City written notice or after a vacancy in the office of the Fiscal Agent shall have occurred by reason of its inability to act, the Fiscal Agent or any Bondowner may apply to any court of competent jurisdiction to appoint a successor Fiscal Agent. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Fiscal Agent.

Modification or Amendment of Fiscal Agent Agreement

The Fiscal Agent Agreement and the rights and obligations of the City and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Agreement pursuant to the affirmative vote at a meeting of Owners, or with the written consent without a meeting, of the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Fiscal Agent Agreement. No such modification or amendment shall (i) extend the maturity of any Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the City to pay the principal of, and the interest and any premium on, any Bond, without the express consent of the Owner of such Bond, or (ii) permit the creation by the City of any pledge or lien upon the Special Taxes superior to or on a parity with the pledge and lien created for the benefit of the

Bonds (except as otherwise permitted by the Act, the laws of the State of California or the Fiscal Agent Agreement), or reduce the percentage of Bonds required for the amendment of the Fiscal Agent Agreement. No such amendment may modify any of the rights or obligations of the Fiscal Agent without its written consent.

The Fiscal Agent Agreement and the rights and obligations of the City and of the Owners may also be modified or amended at any time by a Supplemental Agreement, without the consent of any Owners, only to the extent permitted by law and only for any one or more of the following purposes:

(A) to add to the covenants and agreements of the City in the Fiscal Agent Agreement contained, other covenants and agreements thereafter to be observed, or to limit or surrender any right or power in the Fiscal Agent Agreement reserved to or conferred upon the City;

(B) to make modifications not adversely affecting any outstanding series of Bonds of the City in any material respect;

(C) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Fiscal Agent Agreement, or in regard to questions arising under the Fiscal Agent Agreement, as the City and the Fiscal Agent may deem necessary or desirable, and which shall not adversely affect the rights of the Owners of the Bonds;

(D) to make such additions, deletions or modifications as may be necessary or desirable to assure compliance with Section 148 of the Code relating to required rebate of excess investment earnings to the United States or otherwise as may be necessary to assure exclusion from gross income for federal income tax purposes of interest on the Bonds or to conform with the Regulations.

Procedure for Amendment with Written Consent of Owners. The City and the Fiscal Agent may at any time enter into a Supplemental Agreement amending the provisions of the Bonds or of the Fiscal Agent Agreement or any Supplemental Agreement, to the extent that such amendment is permitted by the Fiscal Agent Agreement. A copy of such Supplemental Agreement, together with a request to Owners for their consent thereto, if such consent is required, shall be mailed by first class mail, by the Fiscal Agent to each Owner of Bonds Outstanding, but failure to mail copies of such Supplemental Agreement and request shall not affect the validity of the Supplemental Agreement when assented to as in the Fiscal Agent Agreement.

If consent of the Owners is required, such Supplemental Agreement shall not become effective unless there shall be filed with the Fiscal Agent the written consents of the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding (exclusive of Bonds disqualified as provided in the Fiscal Agent Agreement) and a notice shall have been mailed as provided in the Fiscal Agent Agreement.

Miscellaneous

Discharge of Agreement. If the City has paid and discharged the entire indebtedness on all or any portion of the Bonds Outstanding in any one or more of the following ways:

(A) by well and truly paying or causing to be paid the principal of, and interest and any premium on, such Bonds Outstanding, as and when the same become due and payable;

(B) by depositing with the Fiscal Agent, in trust, at or before maturity, money which, together with (in the event that all of the Bonds are to be defeased) the amounts then on deposit in the funds and accounts provided for in the Fiscal Agent Agreement, is fully sufficient to pay such Bonds Outstanding, including all principal, interest and redemption premiums, or;

(C) by irrevocably depositing with the Fiscal Agent, in trust, cash and Federal Securities in such amount as the City shall determine as confirmed by an independent certified public accountant will, together with the interest to accrue thereon and (in the event that all of the Bonds are to be defeased) moneys then on deposit in the fund and accounts provided for in the Fiscal Agent Agreement, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates;

and if such Bonds are to be redeemed prior to the maturity thereof notice of such redemption has been given as in the Fiscal Agent Agreement provided or provision satisfactory to the Fiscal Agent has been made for the giving of such notice, then, at the election of the City, and notwithstanding that any Bonds shall not have been surrendered for payment, the pledge of the Special Taxes and other funds provided for in the Fiscal Agent Agreement and all other obligations of the City under the Fiscal Agent Agreement with respect to such Bonds Outstanding shall cease and terminate, except only the obligations of the City with respect to maintenance of the tax exemption of the Bonds and to pay or cause to be paid to the Owners of the Bonds not so surrendered and paid all sums due thereon and all amounts owing to the Fiscal Agent; and thereafter Special Taxes shall not be payable to the Fiscal Agent.

Any funds thereafter held by the Fiscal Agent upon payments of all fees and expenses of the Fiscal Agent, which are not required for said purpose, shall be paid over to the City.

<u>Execution of Documents and Proof of Ownership by Owners</u>. Any request, declaration or other instrument which the Fiscal Agent Agreement may require or permit to be executed by Owners may be in one or more instruments of similar tenor, and shall be executed by Owners in person or by their attorneys appointed in writing.

Except as otherwise expressly provided in the Fiscal Agent Agreement, the fact and date of the execution by any Owner or his attorney of such request, consent, declaration or other instrument, or of such writing appointing such attorney, may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request, declaration or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer.

Except as otherwise expressly provided in the Fiscal Agent Agreement, the ownership of registered Bonds and the amount, maturity, number and date of holding the same shall be proved by the registry books.

Any request, consent, declaration or other instrument or writing of the Owner of any Bond shall bind all future Owners of such Bond in respect of anything done or suffered to be done by the City or the Fiscal Agent in good faith and in accordance therewith.

<u>Waiver of Personal Liability</u>. No member, officer, agent or employee of the City shall be individually or personally liable for the payment of the principal of, or interest or any premium on, the Bonds; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law.

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APPENDIX D

THE CITY OF ROSEVILLE AND PLACER COUNTY

The District is located in the City of Roseville in Southwestern Placer County. The financial and economic data for the City are presented for information purposes only. The 2006 Bonds are not a debt or obligation of the City or the County, but are a limited obligation of the City secured solely by the funds held pursuant to the Fiscal Agent Agreement.

Financial and economic data for the City of Roseville are presented in this Appendix for information purposes only. The Bonds are not a debt or obligation of the City, but are a limited obligation secured solely by the funds held under the Indenture.

The City of Roseville is located in Placer County, in California's Sacramento Valley near the foothills of the Sierra Nevada mountain range, about 16 miles northeast of Sacramento and 110 miles east of San Francisco. The City, with a population estimated to be approximately 102,191 at January 1, 2005, is the largest city in Placer County, as well as the residential and industrial center of the County.

The City has warm summers typical of central California, with an average July temperature of 77 degrees. Winter temperatures are moderate; the average January temperature is 46 degrees. The temperature drops below freezing an average of eight days per year. Rainfall averages 20 inches annually and falls mostly during the winter.

There is a wide variety of land uses within the City. Most of the City's residential neighborhoods are located west of Interstate Highway 80; industrial facilities, including Hewlett-Packard, NEC Electronics, Inc. and Roseville Telephone Company are concentrated in the north Roseville area.

Municipal Government

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

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

Population

The following table shows population estimates for the City, the County and the State as of January 1 for the past five calendar years.

PLACER COUNTY
Population Estimates
2002 through 2006

Year	City of Roseville	Placer County	State of California
2002	87,630	271,109	35,088,671
2003	93,502	283,942	35,691,472
2004	98,558	297,033	36,245,016
2005	103,185	308,431	36,728,196
2006	104,655	316,508	37,172,015

Source: California State Department of Finance.

Employment and Industry

The unemployment rate in Placer County was 4.1 percent in June 2006. This compares with an unadjusted unemployment rate of 4.9 percent for California during the same period.

The following table summarizes the civilian labor force, employment and unemployment, as well as employment by industry, in the Sacramento Metropolitan Statistical Area (which is comprised of Sacramento, Placer, El Dorado and Yolo Counties) for the years 2001 through 2005.

Sacramento Metropolitan Statistical Area
(Sacramento, Placer, El Dorado and Yolo Counties)
Civilian Labor Force, Employment and Unemployment
(Annual Averages)

	2001	2002	2003	2004	2005
Wage and Salary Employment (1)					
Agriculture	8,100	7,900	7,500	7,400	7,100
Natural Resources and Mining	900	800	700	700	700
Construction	59,500	61,300	66,500	70,800	73,300
Manufacturing	49,800	47,000	46,300	47,300	49,000
Wholesale Trade	25,800	25,600	26,300	26,500	26,800
Retail Trade	91,600	92,700	94,900	96,700	98,700
Transportation, Warehousing and Utilities	23,300	22,400	21,900	22,900	23,500
Information	22,300	23,100	21,900	20,900	19,900
Finance and Insurance	38,700	41,300	44,800	45,400	47,000
Real Estate and Rental and Leasing	13,700	13,900	14,600	15,100	16,400
Professional and Business Services	99,300	96,100	95,800	98,400	102,600
Educational and Health Services	75,900	78,000	81,000	84,600	87,500
Leisure and Hospitality	72,200	75,200	77,300	79,900	82,200
Other Services	27,700	28,200	28,000	28,500	28,800
Federal Government	12,800	12,700	12,900	12,600	12,700
State Government	106,200	108,200	106,700	102,300	102,300
Local Government	99,100	105,900	106,600	106,800	109,000
Total, All Industries (2)	827,000	840,100	853,500	866,400	887,400

(1) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(2) Figures may not total due to rounding.
Source: State of California Employment Development Department.

Major Employers

The following table sets forth the largest employers in the City.

CITY OF ROSEVILLE
Major Employers
June 30, 2004

Employer Name	No. of Employees
Hewlett-Packard	3,803
Kaiser Permanente	3,000
Sutter Roseville Medical Center	1,800
Union Pacific Railroad	1,294
City of Roseville	1,046
Roseville Joint Union High School District	982
Pride Industries	800
NEC Electronics	725
SureWest Communications	683
State Farm Insurance	560

Source: City of Roseville.

The following table sets forth the largest employers in the County of Placer as of January 1, 2006.

COUNTY OF PLACER
Major Employers
January 2006

Employer Name	Location	Industry
Adventist Health	Roseville	Health Services
Alpine Meadows Ski Resort	Alpine Meadows	Skiing Centers & Resorts
Auburn Area Answering Svc	Auburn	Paging & Answering Service
Club Cruise	Auburn	Travel Agencies & Bureaus
Coherent Inc	Auburn	Lasers-Medical-Manufacturers
Formica Corp	Rocklin	Plastics-High Pressure Laminates (Mfrs)
Future Ford	Roseville	Automobile Dealers-New Cars
Hewlett-Packard Co	Roseville	Computer Services
Home Depot	Roseville	Home Centers
J R Pierce Plumbing Co Inc	Rocklin	Plumbing Contractors
Nec Electronics Usa Inc	Roseville	Semiconductors & Related Devices (Mfrs)
Oracle Corp	Rocklin	Computer Software
Placer County Marshal	Auburn	Government Offices-County
Placer County Sheriff	Auburn	Sheriff
Placer County Superintendent	Auburn	Schools
Public Works	Auburn	Grading Contractors
Resort At Squaw Creek	Olympic Valley	Resorts
Sierra Community College Dist	Rocklin	Schools-Universities & Colleges Academic
Sierra Wes Drywall Inc	Loomis	Dry Wall Contractors
Spa St Squaw Creek	Olympic Valley	Spas-Beauty & Day
Sutter Auburn Faith Hospice	Auburn	Hospitals
Sutter Roseville Medical Ctr	Roseville	Hospitals
Thunder Valley Casino	Lincoln	Casinos
Underground Construction Co	Roseville	Pipe Line Contractors
United Natural Foods	Auburn	Health Food Products- Wholesale

Source: State of California Employment Development Department.

Construction

The following table shows residential and non-residential building permits issued, for calendar years 2001 through 2005.

City of Roseville
Building Permit Valuation
(Valuation in Thousands of Dollars)

	2001	2002	2003	2004	2005
Permit Valuation					
New Single-family	$356,214.1	$526,365.7	$384,045.3	$251,956.9	$174,522.4
New Multi-family	61,1,001.6	78,999.5	42,747.2	7,863.7	17,304.5
Res. Alterations/Additions	2,455.9	2,649.5	2,374.4	3,781.0	3,043.1
Total Residential	420,600.6	608,014.8	429,166.9	263,601.6	194,870.0
New Commercial	50,213.0	105,953.3	91,323.3	88,982.1	69,756.3
New Industrial	6,214.0	2,922.5	3,883.9	13,600.2	5,975.0
New Other	11,554.4	22,969.7	23,697.7	25,404.3	23,301.6
Com. Alterations/Additions	40,608.4	34,272.8	37,062.9	43,987.8	52,473.8
Total Nonresidential	108,589.8	166,118.3	155,967.7	171,974.3	151,506.7
New Dwelling Units					
Single Family	1,456	2,300	1,467	1,015	826
Multiple Family	762	914	474	93	165
TOTAL	2,218	3,214	1,941	1,108	991

Source: Construction Industry Research Board, Building Permit Summary.

Residential Development. As of July 1, 2003, the City had 31,708 housing units; approximately 75% are single family detached, 20% are apartments and 5% are duplexes and mobile homes. A total of 2,564 building permits, including building permits for 820 apartment units, were issued by the City's Building Division in Fiscal Year 2002-03. The highest monthly total was in April 2003 with 283 single family permits issued. All 820 apartment permits were issued in October 2002. The North Roseville Specific Plan Area is now the most active location for homebuilders in the City with well over 1,000 permits issued. The Stoneridge Specific Plan is seeing steady growth as well.

Commercial Development. The City's has over 9.8 million square feet of developed commercial space on 1,147 acres as of June 30, 2003. Developers built 895,869 square feet of commercial space in 2002-03. New development activity includes national retailers and grocers. Target opened its second store in Roseville and EXPO Design Center's opening was the third store in Roseville opened by the Home Depot chain. Safeway and Ralph's opened additional stores as well.

The City also has over 5.2 million square feet of developed office space as of June 30, 2003. Included is the Sutter Roseville Medical Center, Secret Ravine Medical/Dental Center and Sutter Roseville Medical Center Ambulatory.

Taxable Sales

During the first and second quarters of calendar year 2005, reported total taxable sales in the City were reported to be $1,835,982,000 a 6.2% increase over total taxable transactions of $1,727,941,000 that were reported during the first and second quarters of calendar year 2004. A summary of taxable transactions in the City is shown below. Annual figures for 2005 are not yet available.

City of Roseville
Taxable Transactions
Calendar Years 2000 through 2004
(Dollars in thousands)

	2000	2001	2002	2003	2004
Apparel stores	$67,603	$110,463	$118,936	$128,694	$158,633
General merchandise stores	306,446	370,924	418,267	467,494	561,058
Food stores	64,750	66,469	75,978	93,286	95,389
Eating and drinking places	140,862	177,347	195,011	214,558	235,917
Home furnishing and appliances.	59,436	82,000	96,700	108,737	136,822
Building material and farm implements	146,088	174,920	217,298	251,148	288,940
Auto dealers and auto supplies	879,626	938,034	1,026,213	1,125,482	1,201,552
Service stations	84,345	90,944	89,200	114,336	130,953
Other retail stores	273,708	341,119	376,465	412,610	446,106
Retail Stores Totals	2,022,864	2,352,220	2,614,068	2,916,345	3,255,370
All Other Outlets	372,430	404,367	374,189	372,114	405,061
TOTAL ALL OUTLETS	$2,395,294	$2,756,587	$2,988,257	$3,288,459	$3,660,431
TOTAL NUMBER OF PERMITS	2,637	2,967	3,348	3,909	4,307

Source: California State Board of Equalization.

APPENDIX E

FORM OF OPINION OF BOND COUNSEL

_______________, 2006

City Council
City of Roseville
311 Vernon Street
Roseville, California 94111

OPINION: $42,650,000 City of Roseville Fiddyment Ranch Community Facilities District No. 1 (Public Facilities) Special Tax Bonds Series 2006

Members of the City Council:

We have acted as bond counsel in connection with the issuance by the City of Roseville (the "City") of $42,650,000 City of Roseville Fiddyment Ranch Community Facilities District No. 1 (Public Facilities) Special Tax Bonds Series 2006 (the "2006 Bonds"), pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, constituting Section 53311, et seq. of the California Government Code (the "Act") and a Fiscal Agent Agreement dated as of August 1, 2005, and a First Supplement to Fiscal Agent Agreement dated as of August 1, 2006 (together, the "Fiscal Agent Agreement") by and between the City on behalf of the City of Roseville Fiddyment Ranch Community Facilities District No. 1 (Public Facilities) and The Bank of New York Trust Company, N.A.. We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the City contained in the Fiscal Agent Agreement, and in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The City is duly created and validly existing as a public body, corporate and politic, with the power to adopt the resolution authorizing the issuance of the 2006 Bonds, enter into the Fiscal Agent Agreement, and perform the agreements on its part contained therein and issue the 2006 Bonds.

2. The 2006 Bonds have been duly authorized, executed and delivered by the City and are valid and binding limited obligations of the City, payable solely from the sources provided therefor in the Fiscal Agent Agreement.

3. The Fiscal Agent Agreement has been duly entered into by the City and constitutes a valid and binding obligation of the City enforceable upon the City.

4. Pursuant to the Act the Fiscal Agent Agreement creates a valid lien on the funds pledged by the Fiscal Agent Agreement.

3. The interest on the 2006 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings. The opinion set forth in the preceding sentence is subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the 2006 Bonds in order that such interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The City has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the 2006 Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the 2006 Bonds. We express no opinion regarding other federal tax consequences arising with respect to the 2006 Bonds.

6. The interest on the 2006 Bonds is exempt from personal income taxation imposed by the State of California.

The rights of the owners of the 2006 Bonds and the enforceability of the 2006 Bonds and the Fiscal Agent Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully submitted,

APPENDIX F

FORM OF CONTINUING DISCLOSURE UNDERTAKINGS

CONTINUING DISCLOSURE AGREEMENT
(City)

THIS CONTINUING DISCLOSURE AGREEMENT (the "Disclosure Agreement") is dated as of ________________, 2006, is by and between the City of Roseville, a public body, corporate and politic, organized and existing under and by virtue of the laws of the State of California (the "Issuer" or the "City"), and _____________, ____________, California, in its capacity as Dissemination Agent (the "Dissemination Agent").

W I T N E S S E T H :

WHEREAS, pursuant to a Fiscal Agent Agreement dated as of August 1, 2005 and a First Supplement to Fiscal Agent Agreement dated as of August 1, 2006 (together, the "Fiscal Agent Agreement") by and between the City and The Bank of New York Trust Company, N.A., as the Fiscal Agent, the City has issued its City of Roseville Fiddyment Ranch Community Facilities District No. 1 (Public Facilities) Special Tax Bonds Series 2006 (the "2006 Bonds"), in the aggregate principal amount of $42,650,000; and

WHEREAS, this Disclosure Agreement is being executed and delivered by the City and the Dissemination Agent for the benefit of the Holders and Beneficial Owners of the 2006 Bonds and in order to assist the Participating Underwriter of the 2006 Bonds in complying with Securities and Exchange Commission Rule 15c2-12(b)(5);

NOW, THEREFORE, for and in consideration of the mutual promises and covenants herein contained, the parties hereto agree as follows:

SECTION 1. Definitions. In addition to the definitions set forth in the Agreement, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 2 and 3 of this Disclosure Agreement.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any 2006 Bonds (including persons holding 2006 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any 2006 Bonds for federal income tax purposes.

"Disclosure Representative" shall mean the designees of the City to act as the disclosure representative.

"Dissemination Agent" shall mean ______________, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the City.

"Listed Events" shall mean any of the events listed in Section 4(a) of this Disclosure Agreement and any other event legally required to be reported pursuant to the Rule.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. Any filing under this Disclosure Agreement with a National Repository may be made solely by transmitting such filing to the Texas Municipal Advisory Council (the "MAC") as provided at http://www.disclosureusa.org unless the United States Securities and Exchange Commission has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004.

"Official Statement" means the Official Statement, dated August 11, 2006, relating to the 2006 Bonds.

"Participating Underwriter" shall mean any of the original underwriters of the 2006 Bonds required to comply with the Rule in connection with offering of the 2006 Bonds.

"Repository" shall mean each National Repository and each State Repository.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of California.

"State Repository" shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Agreement, there is no State Repository.

SECTION 2. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than January 15 after the end of the City's fiscal year, commencing with the fiscal year ending June 30, 2006 (for the report due January 15, 2007), provide to each Repository an Annual Report which is consistent with the requirements of Section 3 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 3 of this Disclosure Agreement. Not later than fifteen (15) Business Days prior to said date, the City shall provide the Annual Report to the Dissemination Agent. The City shall provide an Officer's Certificate with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder. The Dissemination Agent may conclusively rely upon such Officer's Certificate of the City.

(b) If by fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the Repositories, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with subsection (a).

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the Repositories by the date required in subsection (a), the Dissemination Agent shall provide to (i) each National Repository or the Municipal Securities Rulemaking Board and (ii) each appropriate State Repository (with a copy to the Trustee) a notice, in substantially the form attached as Exhibit A.

(d) With respect to the Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and the State Repository, if any; and

(i) (if the Dissemination Agent is other than the City), to the extent appropriate information is available to it, file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 3. Content of Annual Reports. The City's Annual Report shall contain or include by reference the following:

(a) The following information:

1. Principal amount of all outstanding bonds of the District.

2. Balance in the improvement fund or construction account.

3. Balance in debt service reserve fund, and statement of the reserve fund requirement. Statement of projected reserve fund draw, if any.

4. Balance in other funds and accounts held by Issuer or fiscal agent related to the 2006 Bonds.

5. Additional debt authorized by the City and payable from or secured by assessments or special taxes with respect to property within the District.

6. The Special Tax levy, the delinquency rate, total amount of delinquencies, number of parcels delinquent in payment for the five most recent fiscal years.

7. Notwithstanding the June 30th reporting date for the Annual Report, the following information shall be reported as of the last day of the month immediately preceding the date of the Annual Report rather than as of June 30th. Identity of each delinquent taxpayer responsible for 5 percent or more of total special tax/assessment levied, and the following information: assessor parcel number, assessed value of applicable properties, amount of Special Tax levied, amount delinquent by parcel number and status of foreclosure proceedings. If any foreclosure has been completed, summary of results of foreclosure sales or transfers.

8. Most recently available total assessed value of all parcels subject to the special tax or assessment.

9. List of landowners and assessor's parcel number of parcels subject to 20 percent or more of the Special Tax levy including the following information: development status to the extent shown in City records, land use classification, assessed value (land and improvements).

(b) Audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 2(a), the Annual Report shall contain unaudited financial statements in a format similar to that used for the City's audited financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available; provided, that in each Annual Report or other filing containing the City's financial statements, the following statement shall be included in bold type:

THE CITY'S ANNUAL FINANCIAL STATEMENT IS PROVIDED SOLELY TO COMPLY WITH THE SECURITIES EXCHANGE COMMISSION STAFF'S INTERPRETATION OF RULE 15C2-12. NO FUNDS OR ASSETS OF THE CITY OF ROSEVILLE (OTHER THAN THE PROCEEDS OF THE SPECIAL TAXES LEVIED FOR THE FIDDYMENT RANCH COMMUNITY FACILITIES DISTRICT AND SECURING THE BONDS) ARE REQUIRED TO BE USED TO PAY DEBT SERVICE ON THE BONDS AND THE CITY IS NOT OBLIGATED TO ADVANCE AVAILABLE FUNDS FROM THE CITY TREASURY TO COVER ANY DELINQUENCIES. INVESTORS SHOULD NOT RELY ON THE FINANCIAL CONDITION OF THE CITY IN EVALUATING WHETHER TO BUY, HOLD OR SELL THE BONDS.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues with respect to which the City is an "obligated person" (as defined by the Rule), which have been filed with each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The City shall clearly identify each such other document so included by reference.

SECTION 4. <u>Reporting of Significant Events</u>.

(a) Pursuant to the provisions of this Section 4, the City shall give an Officer's Certificate including notice of the occurrence of any of the following events with respect to the 2006 Bonds, if material:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults.
3. Modifications to rights of 2006 Bondholders.
4. Optional, contingent or unscheduled 2006 Bond calls.
5. Defeasances.
6. Rating changes.
7. Adverse tax opinions or events affecting the tax-exempt status of the 2006 Bonds.
8. Unscheduled draws on the debt service reserves, if any, reflecting financial difficulties.
9. Unscheduled draws on credit enhancements reflecting financial difficulties.
10. Substitution of credit or liquidity providers, or their failure to perform.

11. Release, substitution, or sale of property securing repayment of the 2006 Bonds.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City shall as soon as possible determine if such event would constitute material information for Holders of 2006 Bonds, provided, that any event under subsection (a)(6) will always be defined to be material.

(c) If the City determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the City shall, or by written direction cause the Dissemination Agent (if not the City) to, promptly file a notice of such occurrence with (i) each National Repository or the Municipal Securities Rulemaking Board and (ii) each appropriate State Repository with a copy to the Trustee, together with written direction to the Trustee whether or not to notify the 2006 Bond holders of the filing of such notice. In the absence of any such direction, the Trustee shall not send such notice to the 2006 Bond holders. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(4) and 5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Certificates pursuant to the Indenture.

(d) If in response to a request under subsection (b), the City determines that the Listed Event would not be material under applicable federal securities laws, the City shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (e).

(e) If the Dissemination Agent has been instructed by the City to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the Repository. Notwithstanding the foregoing:

SECTION 5. Termination of Reporting Obligation. The obligations of the City, the Dissemination Agent under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the 2006 Bonds. If such termination occurs prior to the final maturity of the 2006 Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 4(e) hereof. If the City's obligations under the Agreement are assumed in full by some other entity, such person shall be responsible for compliance with this Disclosure Agreement in the same manner as if it were the City, and the City shall have no further responsibility hereunder.

SECTION 6. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign at any time by providing at least 30 days' notice in writing to the Issuer and the City.

SECTION 7. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the City and the Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent shall agree to any amendment so requested by the Issuer, provided no amendment increasing or affecting the obligations or duties of the Dissemination Agent shall be made without the consent of either such party) and any provision of this Disclosure Agreement may be waived if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to the Issuer, the City and the Dissemination Agent to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

SECTION 8. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Agreement, the City shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 9. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their respective powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the 2006 Bondholders, or any other party. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the 2006 Bonds.

SECTION 10. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the City:	City of Roseville 311 Vernon Street Roseville, California 95678 Attn: CFD Administrator
To the Dissemination Agent:	

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

SECTION 11. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the 2006 Bonds, and shall create no rights in any other person or entity.

SECTION 12. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Disclosure Agreement as of the date first above written.

CITY OF ROSEVILLE, for and on behalf of City of Roseville Fiddyment Ranch Community Facilities District No. 1 (Public Facilities)

By: ___________________________________
Authorized Officer

________________**,** as Dissemination Agent

By: ___________________________________
Authorized Officer

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	City of Roseville
Name of Bond Issue:	$42,650,000 City of Roseville Fiddyment Ranch Community Facilities District No. 1 (Public Facilities) Special Tax Bonds Series 2006
Date of Issuance:	_____________, 2006

NOTICE IS HEREBY GIVEN that the City of Roseville (the "City") on behalf of City of Roseville Fiddyment Ranch Community Facilities District No. 1 (Public Facilities) has not provided an Annual Report with respect to the above-named Bonds as required by the Fiscal Agent Agreement dated as of August 1, 2006 and a First Supplement to Fiscal Agent Agreement dated as of August 1, 2006 (together, the "Fiscal Agent Agreement") by and between the City and The Bank of New York Trust Company, N.A., as Fiscal Agent. The City anticipates that the Annual Report will be filed by _____________.

Dated: _______________

____________, as Dissemination Agent, on behalf of City of Roseville Fiddyment Ranch Community Facilities District No. 1 (Public Facilities)

By: ________________________________
Authorized Officer

cc: City of Roseville

CONTINUING DISCLOSURE AGREEMENT
(Developer)

THIS CONTINUING DISCLOSURE AGREEMENT (the "Disclosure Agreement") dated as of ________________, 2006, is by and between Roseville Fiddyment Land Venture, LLC (the "Developer") and ___________, _____________, California, in its capacity as Dissemination Agent (the "Dissemination Agent").

W I T N E S S E T H:

WHEREAS, pursuant to the Fiscal Agent Agreement dated as of August 1, 2006 and a First Supplement to Fiscal Agent Agreement dated as of August 1, 2006 (together, the (the "Fiscal Agent Agreement"), by and between the City and the Dissemination Agent, in its capacity as Fiscal Agent thereunder, the City has issued its City of Roseville Fiddyment Ranch Community Facilities District No. 1 (Public Facilities) Special Tax Bonds Series 2006 (the "2006 Bonds"), in the aggregate principal amount of $42,650,000; and

WHEREAS, this Disclosure Agreement is being executed and delivered by the Developer and the Dissemination Agent for the benefit of the Holders and Beneficial Owners of the 2006 Bonds;

NOW, THEREFORE, for and in consideration of the mutual promises and covenants herein contained, the parties hereto agree as follows:

SECTION 1. Definitions. In addition to the definitions set forth in the Agreement, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Developer pursuant to, and as described in, Sections 2 and 3 of this Disclosure Agreement.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any 2006 Bonds (including persons holding 2006 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any 2006 Bonds for federal income tax purposes.

"Dissemination Agent" shall mean _____________, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the City.

"Issuer" shall mean the City of Roseville, Placer County, California.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. Any filing under this Disclosure Agreement with a National Repository may be made solely by transmitting such filing to the Texas Municipal Advisory Council (the "MAC") as provided at http://www.disclosureusa.org unless the United States Securities and Exchange Commission has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004.

"Official Statement" means the Official Statement, dated, August 11, 2006, relating to the 2006 Bonds.

"Participating Underwriter" shall mean any of the original underwriters of the 2006 Bonds.

"Project" shall mean the proposed subdivision within the District, as described in the Official Statement.

"Repository" shall mean each National Repository and each State Repository.

"State" shall mean the State of California.

SECTION 2. Provision of Annual Reports.

(a) The Developer shall, not later than April 1st of each year (reflecting reported information as of December 31st of the prior year) beginning with the report due April 1, 2007 and continuing while this agreement is in effect, provide to the Dissemination Agent an Annual Report which is consistent with the requirements of Section 3 of this Disclosure Agreement with a copy to the Issuer. The Developer shall provide a written certification with each Annual Report furnished to the Dissemination Agent and the Issuer to the effect that the Annual Report is being provided pursuant to this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement. If the Developer's fiscal year changes, it shall give notice of such change in the manner set forth under Section 4(c).

Additionally, the Developer shall provide to any party that so requests by a written request made within 30 days prior to any July 1, October 1 or January 1, beginning October 1, 2007, a quarterly report which is consistent with the requirements of Section 3 of this Disclosure Agreement, except that the reported information shall cover only the period from the April 1 next preceding the quarterly reporting date. Such quarterly report shall be delivered to the address given in the notice requesting such report, within 30 days after such applicable July 1, October 1 or January 1 requested report date.

(b) If by fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the Repositories, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Developer to determine if the Developer is in compliance with subsection (a).

(c) If the Developer is unable to provide to the Dissemination Agent an Annual Report by the date required in subsection (a), the Developer shall send a notice to the Dissemination Agent substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

(i) determine prior to each Report Date the name and address of each National Repository and each State Repository, if any;

(ii) notify the Developer of the final date for providing the Annual Report at least 30 days before such final date; and

(iii) to the extent the Annual Report has been furnished to it, file a report with the Developer (if the Dissemination Agent is other than the Developer), the City and the Participating Underwriter certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 3. <u>Content of Annual Reports</u>. The Developer's Annual Report shall contain or incorporate by reference the following, if material:

(a) Any significant changes in the information contained in the Official Statement under the headings: "THE DISTRICT - Anticipated Development in the District" and the status of completion of the Improvements (as defined in the Official Statement).

(b) A general description of the development status of the parcels within the District.

(c) A summary of property within the District sold by the Developer since the date of the Official Statement.

(d) A description of any change in the legal structure of the Developer which is material to 2006 Bond investors.

(e) Material changes in Project costs, status of any construction loans and any permanent financing received by the Developer with respect to the Project that could have a significant impact on the Developer's ability to complete the construction and sale of homes within the District.

(f) Any denial of credit, lines of credit, loans or loss of source of capital that could have a significant impact on the Developer's ability to pay the Special Tax or other taxes or assessments or to comply with its obligations under the Development Agreement.

(g) Any failure by the Developer to pay when due general property taxes, assessments or special taxes with respect to its property in the District.

(h) Any previously undisclosed amendments to the land use entitlements or environmental conditions or other governmental conditions that are necessary to complete the development plan.

(i) A description of any changes to the Development Agreement which materially adversely affect the development of the property within the District as set forth in the Official Statement.

SECTION 4. <u>Reporting of Significant Events</u>.

(a) Pursuant to the provisions of this Section 4, the Developer shall give, to the Dissemination Agent, notice of the occurrence of any of the following events with respect to the 2006 Bonds, if material:

(i) failure to pay any real property taxes (including any assessments or special taxes) levied within the District on a parcel owned by the Developer.

(ii) the discovery of toxic material or hazardous waste which will require remediation on any property owned by the Developer subject to the Special Tax.

(iii) default by the Developer on any loan with respect to the construction or permanent financing of public or private improvements with respect to the Project.

(iv) Initiation of Dissemination bankruptcy proceedings (whether voluntary or involuntary) by the Developer or any related entity.

(b) Whenever the Developer obtains knowledge of the occurrence of an event described in section (a), the Developer shall as soon as possible determine if such event would be material to 2006 Bond investors under applicable federal securities laws.

(c) If the Developer determines that knowledge of the occurrence of such event would be material under applicable federal securities laws, the Developer shall promptly provide a notice of such occurrence to the Dissemination Agent, with a copy to the Issuer.

SECTION 5. Termination of Reporting Obligation. The obligations of the Developer and the Dissemination Agent under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the 2006 Bonds. In addition the Developer shall have no obligations hereunder if the Special Tax of the District on all property within the District owned by the Developer and affiliates or partners thereof is less than twenty percent (20%) of the total Special Tax for the entire District. If such termination occurs prior to the final maturity of the 2006 Bonds, the Developer shall give notice of such termination in the manner set forth under Section 4(c).

SECTION 6. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Developer and the Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent shall agree to any amendment so requested by the Developer, provided no amendment increasing or affecting the obligations or duties of the Dissemination Agent shall be made without the consent of either such party), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 2(a), 3, or 4(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements or change in law;

(b) The amendment or waiver either (i) is approved by the 2006 Bondholders of the 2006 Bonds in the same manner as provided in the Agreement for amendments to the Agreement with the consent of 2006 Bondholders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the 2006 Bondholders or Beneficial Owners of the 2006 Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Developer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type of information being presented by the Developer.

SECTION 7. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Developer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a material event, in addition to that which is required by this Disclosure Agreement. If the Developer chooses to include any information in any Annual Report or notice of occurrence of a material event in addition to that which is specifically required by this Disclosure Agreement, the Developer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a material event.

SECTION 8. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Developer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their respective powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the Developer for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the 2006 Bondholders, or any other party. The obligations of the Developer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the 2006 Bonds.

SECTION 9. Subsequent Developers. The Developer will require, as a condition of sale of any property which the Developer sells within the Project resulting in a new owner who, together with affiliates or partners thereof, owns at least twenty percent (20%) of the total assessments for the entire District, that such purchaser execute an agreement substantially in the form of this Disclosure Agreement, unless this Disclosure Agreement, as it may be amended from time to time, by its own terms would not require the purchaser to provide any disclosure.

SECTION 10. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the Developer	Roseville Fiddyment Land Venture, LLC 1322 Blue Oaks Boulevard, Suite 100 Roseville, CA 95678
To the Dissemination Agent:	
To the Issuer/City:	City of Roseville 311 Vernon Street Roseville, CA 95678 Attn: CFD Administrator

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

SECTION 11. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the 2006 Bonds, and shall create no rights in any other person or entity.

SECTION 12. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Disclosure Agreement as of the date first above written.

Roseville Fiddyment Land Venture, LLC, a California limited liability company

By:

Its: ______________________________

________________,
as Dissemination Agent

By: ______________________________
Authorized Officer

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Roseville

Name of Bond Issue: $42,650,000 City of Roseville, Fiddyment Ranch Community Facilities District No. 1 (Public Facilities), Special Tax Bonds, Series 2006

Date of Issuance: ____________, 2006

NOTICE IS HEREBY GIVEN that Roseville Fiddyment Land Venture, LLC (the "Developer") has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement of the Developer dated as of the date of issuance of such Bonds. The Developer anticipates that the Annual Report will be filed by _____________.

Dated: _______________

____
on behalf of the Dissemination Agent

By: ___________________________________

Its: ___________________________________

cc: Developer

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APPENDIX G

THE BOOK ENTRY SYSTEM

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 securities (the "Bonds"). The Bonds 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 Bond certificate will be issued for the Bonds, in the aggregate principal amount of such issue, 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 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 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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 has Standard & Poor's highest rating: AAA. 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 and www.dtc.org.

3. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. 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 Bonds 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 Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

4. To facilitate subsequent transfers, all Bonds 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 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds 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 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds 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 the notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and interest payments on the Bonds 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 Issuer or 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 nor its nominee, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or 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. DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

10. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

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