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FUNDING CONSTRUCTION AND ACQUISITION AGREEMENT
WOODCREEK EAST COMMUNITY FACILITIES DISTRICT NO. 1

THIS AGREEMENT is entered into as of the 11th day of October, 2000 by and between the CITY OF ROSEVILLE, a California chartered municipal corporation (the "City"), and Highland Reserve North Limited Partnership, a Delaware limited partnership ("Developer").

R E C I T A L S

(A) Developer has an irrevocable right to acquire and develop all of the real property comprising the Woodcreek East Community Facilities District No. 1 (the "Property") pursuant to an Option Agreement by and between Developer and Richland Meadowland, Ltd., the owner of the Property ("Owner"). The Property is located within the corporate limits of the City and is described in Exhibit "A" attached hereto, and shown on the map attached hereto as Exhibit "B".

(B) Developer proposes to make improvement to the Property (the development of the Property is defined herein as the "Project") as required by the Entitlements and Project Approvals (as defined below). The City Council for the City of Roseville has approved the following:

- (i) the Woodcreek East Development Agreement (the "Development Agreement," as adopted by Ordinance No. 3453 on January 5, 2000 (recorded on February 17, 2000 as Instrument No. DOC-2000-0010030));
- (ii) the City of Roseville General Plan, as amended by Resolution No. 99-526, approved December 15, 1999; and
- (iii) the Zoning Ordinance of the City of Roseville, as amended by Ordinance No. 3452, approved January 5, 2000.

The approvals described above are referenced herein as the "Entitlements." The Entitlements and other existing and subsequent approvals granted by City, as the same may be amended from time to time, are herein collectively referred to as the "Project Approvals."

(C) Developer and Owner have requested that the City commence and complete proceedings for the establishment of a community facilities district pursuant to the provisions of Chapter 2.5 (commencing with Section 53311) of Part 1 of Division 2 of Title 5 of the California Government Code, commonly known as the "Mello-Roos Community Facilities Act of 1982," ("the Act"), over and including the Property for the purpose of paying for certain public facilities which are necessary to the development of the Property and the provision of municipal services to the Property within the proposed community facilities district, including the issuance of special tax bonds. Said community facilities district is to be known as "Woodcreek East Community Facilities District No. 1, of the City of Roseville, County of Placer, State of California" (the "District").

(D) Section 53313.5 of the California Government Code provides that a community facilities district may finance the purchase of facilities completed after the adoption of the resolution of formation establishing the community facilities district if the facilities have been constructed as if they had been constructed under the direction and supervision, or under the authority of, the local agency whose governing body is conducting proceedings for the establishment of the district.

(E) The purpose of this Agreement is to provide for the establishment of the District, the acquisition of such public facilities, the issuance and sale of the bonds for the District to finance the design and acquisition of such public facilities and expenses incidental thereto and to provide the terms of any reimbursement to the Developer.

AGREEMENTS

NOW, THEREFORE, in consideration of the preceding recitals and the mutual covenants hereinafter contained, the parties agree as follows:

Section 1. Establishment of District. The City shall initiate and prosecute proceedings pursuant to the Act for the establishment of the District. Such proceedings shall include but not be limited to, elections pursuant to Sections 53326 and 53327 of the California Government Code on (i) the question of the issuance of bonds for the District to finance the construction or acquisition of the aforementioned public facilities, (ii) the issue of annual levy of special taxes on all taxable property within the District for the payment of principal and interest on the bonds of the District and the annual administrative expenses of the City and the District in levying and collecting such special taxes, paying the principal and interest on such bonds and providing for the registration, exchange and transfer of such bonds, including the fees of fiscal agents and paying agents, and any necessary replenishment for the reserve fund for such bonds, accumulation of funds for future bond payments, or the acquisition of public facilities from the proceeds of such special taxes, and (iii) the question of the establishment of an appropriations limit for the District. Developer shall cooperate with City in its conduct of the proceedings for and the establishment of the District.

Section 2. Sale of Bonds. Upon the completion of the proceedings for the establishment of the District as provided in Section 1 hereof, the City shall proceed, as hereinafter provided, with the sale of bonds for the District in an aggregate principal amount not to exceed \$6,000,000 (the "Bonds") for the purpose of raising an amount to pay for the design and construction or acquisition of the aforementioned public facilities. Said authorized public facilities (the "Public Facilities") and the estimated costs thereof are generally described in Exhibit "C" attached hereto. The timing of the issuance and sale of the Bonds, aggregate principal amount thereof, and the terms and conditions upon which they shall be sold shall be determined by the City. If bonds are not sold within six (6) months of this Agreement, neither the City nor the Developer shall have any obligation hereunder, and this Agreement shall terminate without the requirement for any further notice or action by any party.

Section 3. Tax Requirements. The City shall take all actions which, in the opinion of City's bond counsel, are necessary in order to avoid classification of the bonds as "arbitrage bonds" or the loss of tax exemption for the bonds for any other reason.

Section 4. Amounts to be Included in Bonds. The aggregate principal amount of the Bonds shall include an amount needed to fund a reserve fund for the payment of principal of and interest of the Bonds as is determined by the City to be necessary and appropriate, capitalized interest on the Bonds for such period as the City shall determine is appropriate, the amount of the discount of the underwriter who purchases the Bonds, and other expenses incurred by the City in connection with the issuance and sale of the Bonds, including bond counsel fees, legal fees, fees of the bank which will act as transfer agent, registrar and paying or fiscal agent for the Bonds, other fees and costs normally incidental to the sale of Bonds, and such other fees and costs enumerated in Section 53345.3 of the California Code as the City determines are necessary and appropriate. The City may also include within the aggregate principal amount of the Bonds an amount determined by the City to equitably reimburse Developer for costs and expenses incurred by it which are related to the establishment of the District and the design and construction of the Public Facilities; provided that the City shall determine the amount to be so reimbursed on the basis of detailed itemizations of costs provided by Developer and the decision of the City shall be final. In no event shall Developer be reimbursed from Bond proceeds for (i) in-house administrative overhead (except that Developer shall be entitled to payment equal to four percent (4%) of actual construction costs as and for project and construction management services), (ii) interest expense incurred by Developer on moneys advanced during the proceedings for formation of the District and issuance of Bonds, and during construction of the Public Facilities (provided, that Developer shall be entitled to interest on acquisition proceeds as provided in Section 15 hereof); and (iii) any other costs and expenses incurred by Developer which are not authorized by the Act.

Section 5. Design. Public Facilities to be acquired by the City shall be designed in conformance with all applicable City standards, requirements and the Development Agreement. Upon completion of the design of each such Public Facility to the satisfaction of the City and when Developer has paid to the City all applicable plan checking and other fees, the City shall notify Developer that the design of the Public Facility is completed and acceptable to the City. It shall be the responsibility of Developer, not the City, to determine the requirements for design and construction of Public Facilities to be acquired by or dedicated to other public agencies, and City's acceptance of Developer's design shall not relieve Developer of this responsibility.

Developer has been authorized by the City to commence the design of the Public Facilities, and the City has approved Developer's retention of MacKay & Somps to design streets, traffic signals, water, sewer and storm drainage facilities, and Land Architecture, landscape architects, to plan and design street and open space landscaping. Developer may, after obtaining approval of the City, retain the services of additional consultants to design other portions of the Public Facilities.

Developer shall be reimbursed out of the proceeds of the sale of the Bonds for Developer's expenses incurred in designing those Public Facilities set forth in Exhibit "C",

hereto, including all applicable plan checking and other fees paid by Developer as provided above in this Section, subject to the City's determination of the amount to be so reimbursed pursuant to the terms hereof, and subject to the limitation that reimbursement in all cases is to be made from available bond proceeds and special tax revenues of the District and from no other source. Reimbursement for design and plan check services shall be made in one or more lump sum payments only after City has received and approved all invoices for such services associated with any particular Public Facility.

Notwithstanding the preceding provisions of this Section, if the City determines that Developer is not proceeding with the design of the Public Facilities on a reasonable schedule which will enable the City to insure that construction of all of the Public Facilities can be completed within the time specified in Section 6 hereof, the City may take over the design of the Public Facilities by giving Developer written notice thereof. Upon receipt of such a notice, Developer shall surrender to the City all plans and specifications which have then been completed or which are in progress.

If the City takes over the design of the Public Facilities as provided above, the City shall reimburse Developer from the proceeds of the sale of the Bonds a reasonable amount, reasonably determined by the City, for the expenses incurred by Developer in connection with the design of the Public Facilities which have not previously been reimbursed, provided there are sufficient funds remaining, after payment for the Public Facilities, to do so.

Section 6. Construction for Acquisition. The City shall only be required to acquire from Developer those Public Facilities which will ultimately be owned by the City. Developer shall proceed with the construction of the Public Facilities in accordance with the approved plans and specifications (either prior to or following the formation and confirmation of the authority of the District.)

For construction of Public Facilities under this Section the Developer shall comply with all of the following requirements to insure that the Public Facilities will be constructed as if they had been constructed under the direction and supervision, or under the authority of the City:

- (a) The plans and specifications, the bidding and contract award procedures, and the bidding and contract documents shall be approved by the City Engineer for conformance with City Codes and policy.
- (b) Based on qualifications submitted by the contractors, the Developer, in consultation with the City Engineer shall select a list of qualified bidders for each element of work. If the Developer determines that the nature of a particular element of the construction does not require a pre-qualified bid list, the Developer may allow a particular element of the work to be publicly bid without a pre-qualified bid list.
- (c) Developer shall receive and open bids and report the results to the City Engineer. On elements of work with a pre-qualified bid list, bids will only be accepted from pre-qualified bidders. Any value engineering proposals shall be submitted to the City Engineer for approval.

The City Engineer may, after consulting with Developer, require changes to the work. Developer shall promptly order such changes. The City Engineer shall be consulted with respect to any proposed change to the originally approved design. The contract or contracts for the construction of the Public Facilities shall be awarded to the responsible bidder(s) submitting the lowest responsible bid(s) for the construction of the Public Facilities, as determined by the Developer.

(d) Developer shall require, and the specifications and bid and contract documents shall require, all such contractors to pay prevailing wages and to otherwise comply with applicable provisions of the California Labor Code, Government Code and Public Contracts Code relating to public works projects of cities and as required by the procedures and standards of the City with respect to the construction of its public works projects.

(e) All such contractors shall be required to provide proof of insurance coverage throughout the term of the construction of the Public Facilities which they will construct in conformance with the City's standard procedures and requirements.

Developer shall cause the Public Facilities to be constructed in an expeditious manner so that construction of all such Public Facilities shall be completed by December 31, 2001, or such other date as the City and Developer may agree to; provided, however, that the construction of the Public Facilities shall proceed and be completed so that the proceeds of the Bonds may be expended for the construction or acquisition of the Public Facilities within three (3) years from the date of their issuance.

Section 7. Payment; Cost Overruns; Shortfalls. The City and Developer agree that it is in their mutual best interest for Developer to construct the Public Facilities with the understanding that the City shall acquire those portions of the Public Facilities constructed by Developer as may be paid for with the proceeds of the sale of the Bonds and, for Gap Shortfall amounts as set forth in Section 15 hereof and City approved change orders, from special tax revenues. All portions of the Public Facilities not acquired with the proceeds of the Bonds and from special tax revenues, shall nonetheless be constructed by the Developer, as required by the Project Approvals. All cost overruns in the construction of the Public Facilities shall be the responsibility of the Developer, except that those cost overruns due to unforeseeable construction conditions encountered in the field for which a City-approved change order has been issued, or due to change orders for additional or changed work required in writing by the City, shall be eligible for reimbursement from the proceeds of excess special taxes as provided in Section 15 hereof. Any cost savings achieved in an element of any of the Public Facilities constructed in whole or in part with the proceeds of the sale of the Bonds shall be aggregated with all other such savings achieved throughout the District, and shall be disbursed to Developer upon the satisfactory completion of all Public Facilities.

Section 8. Inspection and Approval of Construction. The City shall provide such level of inspection of the progress of construction of the Public Facilities to be constructed by Developer for acquisition by the City as it deems necessary, and its inspectors shall have access to the construction sites at all times for the purpose of conducting their inspection. Developer and its contractors shall cooperate in every way with the City and its inspectors to ensure that they are

afforded an adequate opportunity to inspect each and every phase of the progress of construction of each and every such Public Facility. Upon completion of the construction of a Public Facility or an approved segment thereof constructed by Developer, and upon receipt of written notification from City's inspectors that construction thereof has been completed in accordance with the plans and specifications thereof and the City's standard requirements, and upon receipt of satisfactory proof, based on the records of Developer and the City and such certifications as the City may require, that the requirements of Section 6 hereof have been satisfied, the City shall notify Developer in writing that the construction of the Public Facility or an approved segment thereof has been satisfactorily completed; provided, however, that Developer, not the City, shall be responsible for determining satisfaction of requirements of other public agencies with respect to the Public Facilities. Upon receiving such notification of a completed Public Facility, Developer shall forthwith file with the County Recorder of the County of Placer a Notice of Completion pursuant to the provision of Section 3093 of the California Civil Code. Developer shall furnish to the City a duplicate copy of each such Notice of Completion showing thereon the date of filing with the County Records. The posts incurred by the City in inspecting and approving the construction of the bond financed Public Facilities shall be paid or reimbursed from the proceeds of the sale of the bonds for the District.

Section 9. Liens. Upon the expiration of the time for the recording of claims of liens as prescribed by Section 3115 and 3116 of the California Civil Code, Developer shall provide to the City such evidence or proof as the City shall require that all persons, firms and corporations supplying work, labor, materials, supplies and equipment to the construction of the Public Facilities or an approved segment thereof, constructed by Developer for acquisition by the City have been paid, and that no claims of liens have been recorded by or on behalf of any such person, firm or corporation.

Section 10. Acquisition; Maintenance. Upon completion of the construction of each Public Facility or an approved segment thereof, constructed by Developer for acquisition by the City, the City shall determine the acquisition price to be paid by the City for the acquisition of the completed Public Facility or an approved segment thereof from Developer. The acquisition price as to each Public Facility or an approved segment thereof shall include the actual cost of construction thereof as determined by the contract prices as set forth in contracts and purchase orders entered into by Developer with its contractors, and suppliers, in accordance with standards and procedures therefor as prescribed by the City. Developer shall furnish to the City such proof of the amounts which Developer contends should be included in the acquisition price for a completed Public Facility or an approved segment thereof as the City shall require, together with such lien releases from contractors and suppliers providing work and materials for the completed Public Facility or an approved segment thereof as the City shall require in a form satisfactory to the City. The City shall have seven (7) days to determine the acquisition price. The determination of the City as to the acquisition price for a completed Public Facility or an approved segment thereof shall be final.

Upon determining the acquisition price for a completed Public Facility or an approved segment thereof, the City shall promptly notify Developer in writing of such acquisition price. Upon presentation by Developer to the City of such documents, including lien releases, as the City shall require as to the completed Public Facility or an approved segment thereof, the City shall, within seven (7) days thereafter, pay from the proceeds of the sale of the Bonds (or, if bond proceeds have been exhausted, from excess Special Tax Revenues in the manner provided in Section 15 hereof) the amount of the acquisition price for the completed Public Facility or an approved segment thereof, but in the case of a completed Public Facility less a retention of 150% of the value of "Punch List" work not completed. Upon payment and acceptance of the acquisition price for each completed Public Facility or an approved segment thereof, Developer shall have no further claim for payment from the City with respect to the retentions. The City shall hold the retention amount on all Facilities acquired until the Punch List work is completed and accepted by the City.

Notwithstanding the preceding provisions of this Section, the City will not pay for the acquisition of any Public Facilities or an approved segment thereof unless and until the street, drainage or other utility rights of way where they are located have been irrevocably offered to the City for dedication.

Until a Public Facility is acquired by the City, Developer shall maintain it, and shall transfer it to the City free of any liens and in good operating condition. Upon the acquisition of a Public Facility by the City, the City shall, except as otherwise provided in the Project Approvals, become responsible for its maintenance, subject to any contractor's warranty or maintenance provisions of bonds required under the Final Map.

Section 11. Indemnification; Insurance. Developer shall defend, indemnify and hold harmless the City, the District, and their officers, agents and employees from any and all liability, cost and expense in connection with the construction of the Public Facilities to be constructed by Developer for acquisition by the City, including, but not limited to, liability, costs, expense and claims arising, under the procedures set forth in Section 6 of this Agreement. Developer shall also defend, indemnify and hold harmless the City, the District, and their officers, agents and employees from any and all liability, cost and expense in connection with the ownership of the Public Facilities to be construction by Developer for acquisition by the City prior to the time the City accepts the Public Facilities, whether or not such Public Facilities are to be acquired with bond proceeds. Developer shall procure and provide, until construction of all of the Public Facilities to be constructed by Developer is completed and acceptance thereof by the City has occurred, a broad form comprehensive general liability policy of insurance, in a form acceptable to the City, naming the City, the District and their officers, agents and employees as additional insureds, having a single aggregate liability limit as to all coverages provided thereby in the amount of \$2,000,000. Before commencing the construction of any Public Facility, Developer shall provide the City with a certification of insurance and endorsement as to such insurance, in a form acceptable to the City, and Developer shall upon each renewal of such insurance policy provide the City with a new certificate of insurance with respect thereto.

Developer shall also furnish to the City, prior to commencing the construction of any Public Facility to be constructed by Developer for acquisition by the City, a certificate of insurance evidencing that Developer has procured and has in force a current policy of workers' compensation insurance in compliance with California law as to all workers to be employed by Developer in connection with the design and construction of the Public Facilities. Developer shall require each person, firm or corporation with whom it contracts in connection with the design and construction of the Public Facilities to provide and maintain such workers' compensation insurance and a broad form, comprehensive general liability insurance policy in the amount hereinabove specified and in a form acceptable to the City. Developer shall provide to the City proof, in such form and at such intervals as set forth below, that each contractor with whom it contracts has procured and is maintaining such insurance.

Upon the execution of each contract with each person, firm or corporation with whom Developer contracts in connection with the design and construction of the Public Facilities, and prior to permitting any such person, firm or corporation to commence work under such contract, Developer shall provide to the City a certificate from the insurance provider for each such contractor that the contractor has in force the insurance policies required of it under this Section 11, that the City is named as an additional insured on the broad form comprehensive general liability insurance policy of such contractor, and that the policies will not be canceled or allowed to lapse without 30 days written notice to the City.

The premiums paid by Developer for the insurance required by this Section may be included in the acquisition price to be paid by the City for the Public Facilities to be constructed by Developer as an incidental cost.

Section 12. Ownership of Facilities. Notwithstanding the fact that some of the Public Facilities or an approved segment thereof to be constructed by Developer for acquisition by the City may be constructed in dedicated street rights-of-way or on property which has been or will be dedicated or offered for dedication to the City, District or Public Utility, such Public Facilities or an approved segment thereof shall be and remain the property of Developer, and Developer shall be responsible for any loss or damage thereto or liability arising therefrom, until they are acquired by the City or other agencies as provided in the preceding Sections of this Agreement. Such ownership by Developer shall likewise not be affected by any agreement which Developer may enter into with the City pursuant to the provisions of the Subdivision Map Act, Section 66410 et seq. of the California Government Code, which may contain or include provisions with respect to the construction and ownership of public facilities which may seem to be contradictory to the provision of this Agreement, and the provisions of this Section shall control.

Section 13. Improvement Security. Notwithstanding the provisions of this Agreement, Developer shall be required to agree to construct and to secure the construction and completion of construction of the Public Facilities or an approved segment thereof as a condition precedent to the approval of final subdivision or parcel maps for portions of the Property as required by the City pursuant to Section 66462 and Sections 66499 through 66499.10 of the Government Code.

The aggregate principal amount of the improvement bonds or other security provided by Developer pursuant to this Section shall be reduced by such amount as the City shall determine is appropriate upon receipt of the proceeds from the sale of the Bonds. The amount of the reduction of such aggregate principal amount shall be determined by the City based on the amount of each such improvement bond or other security which relates to the Public Facilities to be constructed or acquired with the proceeds of the sale of the Bonds.

All subdivisions and performance bonds shall provide, inter alia, that the principal thereof, whether that be Developer or its contractor(s), guarantees that the completed Public Facilities shall be free from defects resulting from faulty workmanship and materials for a period of one (1) year from the date of acceptance by the City, and the obligation of the surety shall extend to the fulfilling of that guarantee. At the end of said one year period, and subject to certification from the City Engineer that any defects have been corrected, the obligation of the principal and surety named therein shall cease.

Section 14. Failure to Complete Construction. Notwithstanding the preceding provisions of this Agreement, if Developer fails to expeditiously prosecute the construction of the Public Facilities to be constructed by Developer for acquisition by the City, the City shall have the right and may elect to take over the construction of such Public Facilities, or any part thereof, if it determines it is necessary for it to so proceed in order to protect the City's interests. If the City elects to so proceed, it shall notify Developer in writing that if Developer does not satisfy the City that construction is proceeding expeditiously on the construction of a Public Facility within 30 days after receipt of such notice, the City will take over the construction of such Public Facilities. If after receiving such a written notification Developer does not satisfy the City that it is proceeding expeditiously to construct that portion of the Public Facilities identified in the written notification to the satisfaction of the City, within 30 days from the date of receipt thereof, Developer shall relinquish to the City all design documents, and shall cooperate with the City in every way to ensure that the construction of the Public Facilities will be completed expeditiously.

Notwithstanding the provisions of this Section, the only sources of funds to be utilized by the City for the construction of any such Public Facilities shall be (i) the proceeds of the sale of the Bonds, (ii) the proceeds of applicable City development fees collected pursuant to the applicable codes, ordinances and policies of the City, (iii) proceeds from the sale of the bonds of another community facilities district or assessment district established over and including, property in the City, (iv) interest earnings on the reserve fund for the Bonds, to the extent such earnings are determined by the City to be available for construction of the Public Facilities, (v) the Developer's subdivision bond or bonds to the extent applicable, (vi) any other performance security that may have been provided by the Developer, and (vii) the Developer's and/or contractors' performance bonds. To the extent that the proceeds of the sale of the Bonds and such other funds may be insufficient to pay for the construction of a Public Facility which will be constructed by the City pursuant to this Section, the City may either construct only those Public Facilities which can be constructed within the total of the amounts of the proceeds from the sale of the Bonds and such other funds which are available therefor, or the City may proceed to

complete the Public Facilities and charge the Developer, the Developer's bond or any contractor's bond for the costs thereof.

Section 15. Developer Responsibility for Satisfaction of Improvements Required by Conditions of Approval. If the bonds are not sold in an aggregate principal amount sufficient to construct and acquire all of the Public Facilities, Developer shall nevertheless construct and dedicate to the City the Public Facilities required by the Development Agreement, and the City may require such assurances of performance as the City deems appropriate. The parties acknowledge that a shortfall may occur between: (a) the cost of the Public Facilities and (b) the amount of acquisition funds generated from the sale of bonds (hereafter referred to as the "Gap Shortfall.") If a Gap Shortfall is anticipated, Developer may elect to reduce its maximum special tax prior to the sale of bonds by either an upfront cash payment or commitment to fund an amount of Public Facilities, without payment of an acquisition price by the District. Should such an election be made, the Gap Shortfall shall be adjusted accordingly. To cover any Gap Shortfall that does occur, Developer agrees with the City to: (1) waive its right to payment from the Bond proceeds for the portion of Public Facilities cost incurred by Developer equal to the actual Gap Shortfall ("Developer's Gap Payment"), and (2) defer such payment until the District can impose and collect special taxes in excess of the amounts required to pay required debt service and City administration costs associated therewith. In consideration of such deferral of payment of the acquisition price, City covenants to assess the special tax against all properties within the District at the maximum rate permitted under the District, commencing with the levy of special taxes required to service the bonds after the planned interest reserve therefore has been exhausted, and to pay to Developer on an annual basis, (commencing on the first day of the next succeeding month following the satisfactory completion of all Public Facilities) payments towards such deferred acquisition price until Developer's actual Gap Payment plus accrued interest is paid in full. The payment of the Developer's Gap Payment hereunder shall be personal to Developer, shall not run with the land, and shall not be assigned by Developer without the written consent of the City, which shall not be unreasonably withheld. Payment of that portion of the acquisition price which represents cost overruns incurred pursuant to an approved change order as described in Section 7 above, shall be paid to the Developer from excess special tax proceeds prior to the payment of the Developer's Gap Payment. The Developer's Gap Payment and the portion of the acquisition price which represents cost overruns incurred pursuant to approved change orders as described in Section 7 above, shall accrue interest calculated from the first day of the next succeeding month following the date of each payment by Developer for costs related to the Public Facilities for which payment otherwise would have been made from bond proceeds in the absence of such Gap Shortfall. Provided, the parties agree that Bond proceeds shall first be exhausted prior to payment by Developer for any such costs. Upon the first payment by Developer (after exhaustion of available Bond proceeds) the rate of interest to be paid for purposes of all deferred payments described above shall be fixed as of the date of such first payment by Developer, at the prime rate in effect as of said date as published in the Money Rates Section of the Wall Street Journal plus two percent (2%) per annum.

As an alternative to use of the maximum permitted tax rate to fund the Developer's Gap Payment and cost overruns as described above, the District may issue additional bonds to fund any such Gap Shortfall or cost overruns provided that City and Developer agree that an additional

sale of bonds is economically prudent and feasible and that such sale is in accordance with the Resolutions of Intent, Formation and Issuance for the District.

Section 16. Construction of Other Facilities. Developer shall also proceed expeditiously with the design and construction of the other improvements and facilities, other than the Public Facilities, which are necessary to the development of the Property and the provision of municipal services within the District and to the residents therein. Such other public improvements and facilities shall be designed and constructed on a schedule which will not delay or interfere in any way with the design and construction of the Public Facilities. The provisions of this Section shall not supersede those of any other agreement between Developer and the City.

Section 17. Development Schedule. Developer shall also proceed with the development of the Property with all reasonable diligence to ensure that such development is completed in a reasonable time. If Developer does not so proceed with the development of the Property, the City may take action as specified in Section 14 hereof and, in addition, may withhold payment of acquisition costs hereunder.

Section 18. Termination. If for any reason the City is unable to sell the Bonds, this Agreement shall not become effective.

Section 19. Binding on Community Facilities District. The District shall automatically become a party to this Agreement to the extent permitted by California law, and all provisions hereof which apply to the City shall so apply to the District. The City Council of the City, acting for the District, shall perform all parts of this Agreement which require performance on the part of the District.

Section 20. Assignment. Developer may not assign this Agreement or any right or duty hereunder without the express written approval of the City. The City may condition any such approval on proof of the financial responsibility and experience of a proposed assignee to undertake and perform the duties and responsibilities of Developer under this Agreement. The City's approval of an assignment of this Agreement and the rights and duties of Developer hereunder shall not be unreasonably withheld.

Section 21. Prompt Action. All consents, approvals and determinations required of either the City or Developer pursuant to this Agreement shall be promptly given or made, and shall not be unreasonably withheld.

Section 22. General. This Agreement contains the entire agreement between the parties with respect to the matters herein provided for, and may be amended by a subsequent written agreement signed on behalf of both parties. This Agreement is for the exclusive benefit of the parties and shall not be construed to confer any rights or benefits upon any persons other than the City and the Developer. This Agreement shall, however, inure to the benefit of and be binding upon the successors and assigns of the parties. This Agreement shall be construed and governed by the Constitution and laws of the State of California. Should either party to this Agreement commence a court action or proceeding against the other party with respect to this Agreement or

the design and acquisition or construction of the Public Facilities, the party prevailing in such action or proceeding shall be entitled to receive from the losing party its attorney's fees, expert witness' fees, court costs, and other costs incurred by it in prosecuting or defending such action or proceeding. The captions of the sections of this Agreement are provided for convenience only, and shall not have any bearing on the interpretation of any section hereof. This Agreement may be executed in several counterparts, each of which shall be an original of the same Agreement.

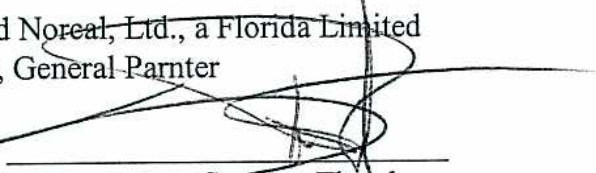
IN WITNESS WHEREOF, the parties have caused this Agreement to be signed as of the date first above written.

CITY OF ROSEVILLE
a municipal corporation

HIGHLAND RESERVE NORTH LIMITED
PARTNERSHIP, a Delaware Limited
Partnership

By: 
ALLEN JOHNSON
City Manager

By Richland Noreal, Ltd., a Florida Limited
Partnership, General Partner

By: 
Name: Stephen Thurtle
Its: Vice President

ATTEST:

By: 
CAROLYN PARKINSON
City Clerk

APPROVED AS TO FORM:

By: 
MARK J. DOANE
City Attorney

EXHIBIT A:

DESCRIPTION OF PROPERTY COMPRISING WOODCREEK EAST
COMMUNITY FACILITIES DISTRICT NO. 1

EXHIBIT "A "**DESCRIPTION FOR C.F.D.#1****A PORTION OF
RICHLAND MEADOWLAND, Ltd.
WOODCREEK EAST**

All that certain real property situate in a portion of Sections 16 and 17, Township 11 North, Range 6 East, Mount Diablo Meridian, City of Roseville, County of Placer, State of California and as shown on Parcel Map and filed for Record in Book "20" of Maps at Page 126 of the Official Records of Placer County and being more particularly described as follows:

Beginning at the Section Corner common to Sections 8, 9, 16 and 17; thence from the **TRUE POINT OF BEGINNING** North 89°01'41" East a distance of 288.55 feet; thence South 00°07'54" West a distance of 1877.99 feet; thence South 58°06'08" West a distance of 339.64 feet; thence South 00°05'57" West a distance of 340.55 feet; thence South 51°48'22" West a distance of 210.99 feet; thence South 87°55'22" West a distance of 367.51 feet; thence South 64°20'03" West a distance of 99.36 feet; thence South 15°47'39" East a distance of 535.41 feet; thence South 87°31'29" West a distance of 986.49 feet; thence North 12°22'03" West a distance of 227.01 feet; thence North 83°37'50" West a distance of 371.79 feet; thence South 06°11'05" West a distance of 26.99 feet; thence North 83°30'25" West a distance of 58.03 feet; thence North 83°30'25" West a distance of 66.52 feet; thence South 06°31'59" West a distance of 17.00 feet; thence North 83°36'39" West a distance of 45.14 feet; thence South 06°23'21" West a distance of 59.86 feet; thence North 89°46'29" West a distance of 137.51 feet; thence North 27°18'00" West a distance of 536.04 feet to a curve to the right having a radius of 1162.00 feet through a central angle of 27°31'53" with an arc length of 558.36 feet; subtended by a chord which bears North 13°32'04" West for a distance of 553.00 feet; thence North 00°13'53" East a distance of 1920.74 feet; thence North 89°28'26" East a distance of 2570.59 feet to the point of beginning.

Containing 180.699 acres of land, more or less.

END OF DESCRIPTION.

DESCRIPTION PREPARED BY:

MACKAY & SOMPS CIVIL ENGINEERS; INC.

1552 Eureka Road, Suite 100
Roseville; California 95661-2944

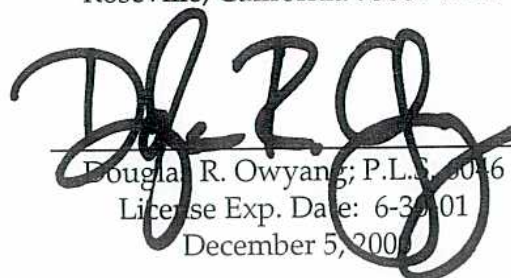

Douglas R. Owyang; P.L.S. No. 6046
License Exp. Date: 6-30-01
December 5, 2000



EXHIBIT B:

MAP OF WOODCREEK EAST COMMUNITY FACILITIES DISTRICT NO. 1

FILED IN THE OFFICE OF THE CLERK OF THE CITY OF ROSEVILLE, PLACER COUNTY, CALIFORNIA ON THIS ____ DAY OF _____, 2000.

CAROLYN PARKINSON, CITY CLERK
CITY OF ROSEVILLE
PLACER COUNTY, CALIFORNIA

I HEREBY CERTIFY THAT THIS MAP WAS APPROVED BY THE CITY COUNCIL OF THE CITY OF ROSEVILLE AT A REGULAR MEETING THEREOF, HELD ON THE ____ DAY OF _____, 2000.
BY ITS RESOLUTION NUMBER _____
RESOLUTION NO. _____

CAROLYN PARKINSON, CITY CLERK
CITY OF ROSEVILLE
PLACER COUNTY, CALIFORNIA


FILED THIS ____ DAY OF _____, 2000.
AT THE HOUR OF _____ O'CLOCK
OF THE _____ DAY OF _____, IN
BOOK _____ MAPS OF ASSESSMENT AND
COMMUNITY FACILITIES DISTRICT AT PAGE _____
IN THE OFFICE OF THE COUNTY RECORDER OF
THE COUNTY OF PLACER, STATE OF CALIFORNIA.

COUNTY RECORDER
COUNTY OF PLACER

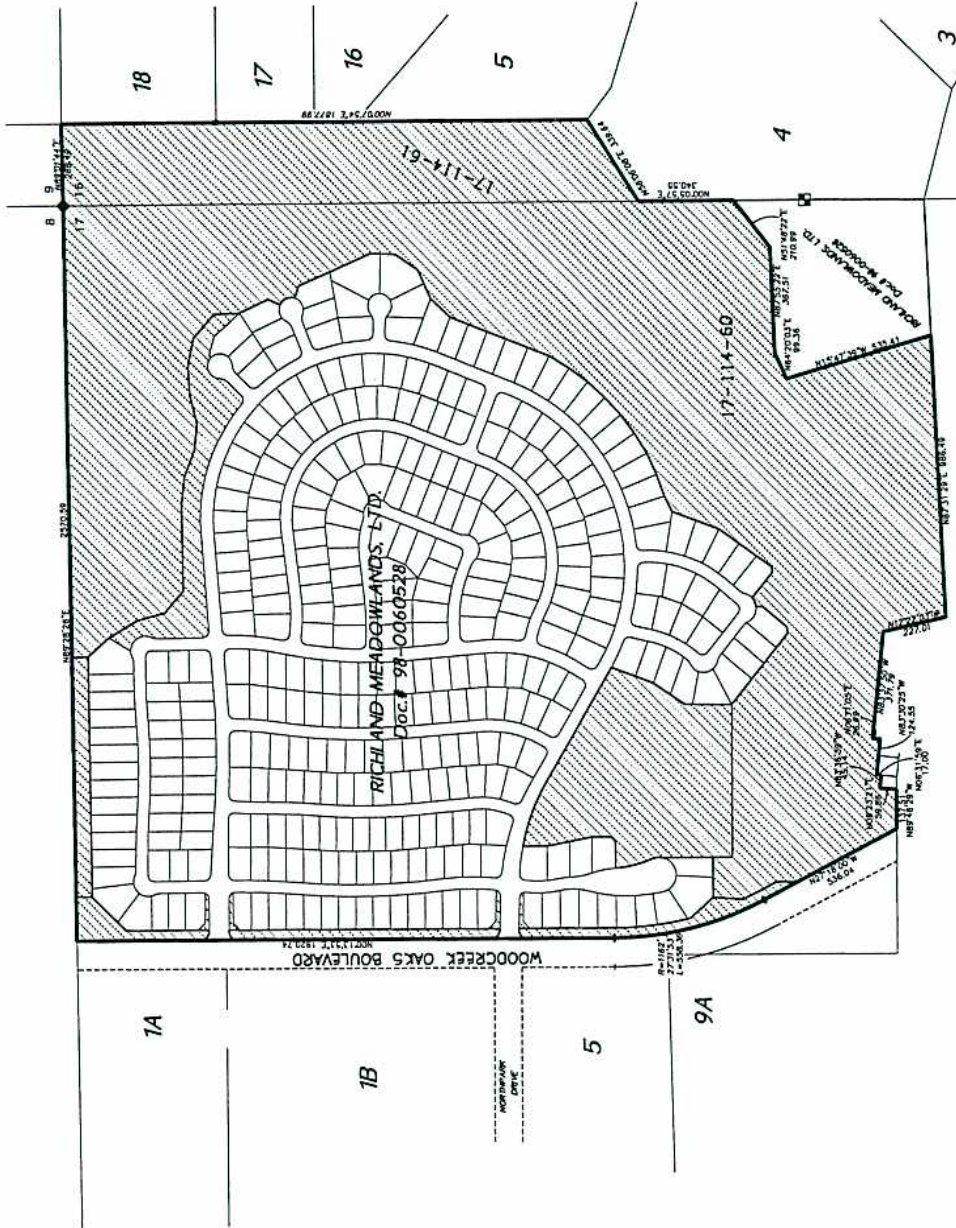


S. L. P.

LEGEND

 ANTICIPATED PUBLIC PARCELS.

 DISTRICT BOUNDARY



PROPOSED BOUNDARY
WOODCREEK EAST
COMMUNITY FACILITIES DISTRICT No. 1
CITY OF ROSEVILLE
PLACER COUNTY, CALIFORNIA
PORTIONS OF SECTIONS 16 AND 17
TOWNSHIP 11 NORTH, RANGE 6 EAST, M.D.M.
AUGUST 2, 2000

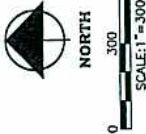


EXHIBIT B

EXHIBIT C:
LIST OF AUTHORIZED FACILITIES

EXHIBIT C

Woodcreek East
Community Facilities District No. 1
City of Roseville, California

LIST OF AUTHORIZED FACILITIES

Authorized facilities that may be funded through the CFD include the following public improvements:

Transportation Improvements

Authorized facilities include the following transportation-related improvements:

- Woodcreek Oaks Boulevard construction; and
- Other public roadway improvements designed to meet the needs of the project.

Eligible roadway improvements include: purchase of right of way; roadway design; project management; bridge crossings; clearing and grubbing; grading and paving; joint trenches and underground utilities (including electrical improvements and reimbursements to City for costs of underground electrical improvements installed by City); curbs, gutters and sidewalks; street lights (including reimbursements to the City) and signalization; bus turnouts; signs and striping; erosion control; median and parkway landscaping; entry monumentation; and other improvements related thereto.

Water System Improvements

Authorized facilities including any and all water facilities which benefit any area outside of the property within Woodcreek East CFD No. 1, or any off-site water improvements as necessary to serve the property. These facilities include water distribution facilities including waterlines and appurtenances, gate valves, pressure reducing stations, flow meters, fire hydrants and related water system improvements.

Recycled Water System Improvements

Authorized facilities including any and all recycled water system facilities designed to meet the needs of development within Woodcreek East CFD No. 1. These facilities include recycled water distribution facilities including pipelines and appurtenances, gate valves, flow meters, booster pump pressuration system and related recycled water system improvements.

Drainage System Improvements

Authorized facilities including any and all drainage and storm drain improvements designed to benefit any area outside of the property within Woodcreek East CFD No. 1, including, but not limited to, pipelines and appurtenances, temporary drainage facilities, detention/retention basins and drainage pretreatment facilities.

Wastewater System Improvements

Authorized facilities including any and all wastewater facilities which benefit any area outside of the property within Woodcreek East CFD No. 1. These facilities include pipeline and appurtenances; manholes; tie-in to existing main line; and related sewer system improvements.

Park Improvements

Authorized facilities include any and all improvements to parks located within Woodcreek East CFD No. 1.

Open Space Improvements

Authorized facilities include any and all improvements to open space located within Woodcreek East CFD No. 1, including, but not limited to, bike trails, bike/pedestrian bridges, storm drain crossings, wetland mitigation and related open space improvements.

Sound Attenuation Improvements

Authorized facilities include any and all sound attenuation improvements designed to meet the needs of development within the CFD including, but not limited to, berm construction and landscaping, soundwalls, sound attenuation enclosures and related sound attenuation improvements.

City-wide Improvements

Authorized facilities include the cost of contributions to City-wide improvements serving the needs of development within the Woodcreek East CFD No. 1 as provided in the Woodcreek East Development Agreement.

Other Expenses

In addition to the above facilities, other incidental expenses as authorized by the Mello-Roos Community Facilities Act of 1982, including, but not limited to, the cost of planning and designing the facilities (including the cost of environmental evaluation and environmental remediation); engineering and surveying; construction staking; utility relocation and demolition costs incidental to the construction of the public facilities; costs of project/construction management; costs associated with the creation

of the Mello-Roos 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 the Woodcreek East Project; and any other expenses incidental to the construction, completion and inspection of the facilities.

Note: All CFD Improvements listed on Exhibit L to the Development Agreement will be funded prior to any other facilities, in the event funding is limited.