

NEW ISSUE—FULL BOOK-ENTRY ONLY

NOT RATED

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS" herein.

\$5,465,000

**CITY OF ROSEVILLE
WOODCREEK EAST COMMUNITY FACILITIES DISTRICT NO. 1
SPECIAL TAX BONDS
SERIES 2000**

Dated: Date of Delivery

Due: September 1, as shown below

The City of Roseville Woodcreek East Community Facilities District No. 1 Special Tax Bonds Series 2000 (the "Bonds") are being issued by the City of Roseville (the "City") by and through its Woodcreek East Community Facilities District No. 1 (the "District") to acquire a portion of certain public facilities of benefit to the District, to establish a reserve fund with respect to the Bonds, to provide capitalized interest, and to pay the costs of issuance of the Bonds.

The Bonds are being issued as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to ultimate purchasers in the denomination of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. Interest on the Bonds is payable on March 1 and September 1 of each year (each an "Interest Payment Date") commencing March 1, 2001. Payments of the principal, premium, if any, and interest on the Bonds will be made directly to DTC, or its nominee, Cede & Co., by U.S. Trust Company, National Association, San Francisco, California, as the fiscal agent, registrar and transfer agent (the "Fiscal Agent") for the Bonds, so long as DTC or Cede & Co. is the registered owner of the Bonds. Disbursements of such payments to DTC's Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC's Participants and Indirect Participants, as more fully described herein. See "THE BONDS—Book-Entry System."

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

The Bonds are special tax obligations of the City, authorized pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, constituting Section 53311, *et seq.* of the California Government Code (the "Act"), and are being issued pursuant to a Fiscal Agent Agreement, dated as of November 1, 2000 (the "Fiscal Agent Agreement"), by and between the City and the Fiscal Agent. The Special Tax will be collected in the same manner and at the same time as *ad valorem* real property taxes are collected by the County Tax Collector of Placer County, State of California. All of the property in the District is currently owned by a single land developer.

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 that any owner will be able to pay its Special Tax or that it will pay such Special Tax even though financially able to do so.

THE PAYMENT OF THE INTEREST ON OR PRINCIPAL OF THE BONDS IS NOT A GENERAL DEBT, LIABILITY OR OBLIGATION OF THE CITY. THE GENERAL FUND OF THE CITY IS NOT LIABLE AND THE FULL FAITH AND CREDIT OF THE CITY IS NOT PLEDGED FOR THE PAYMENT OF THE INTEREST ON OR PRINCIPAL OF OR REDEMPTION PREMIUMS, IF ANY, ON THE BONDS. THE BONDS ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF, OR CHARGE, LIEN OR ENCUMBRANCE UPON ANY PROPERTY OF THE CITY OR ANY OF ITS INCOME OR RECEIPTS EXCEPT THE MONEY IN THE SPECIAL TAX FUND, RESERVE FUND AND OTHER FUNDS AND ACCOUNTS DESCRIBED HEREIN. THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION, AND NEITHER THE CITY COUNCIL NOR THE CITY NOR ANY OFFICER OR EMPLOYEE THEREOF SHALL BE LIABLE FOR THE PAYMENT OF THE INTEREST ON OR PRINCIPAL OF OR REDEMPTION PREMIUMS, IF ANY, ON THE BONDS OTHER THAN FROM THE PROCEEDS OF THE SPECIAL TAX AS PROVIDED IN THE FISCAL AGENT AGREEMENT.

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

MATURITY SCHEDULE

**\$405,000 5.30% Term Bonds Due September 1, 2005—Price 100%
\$640,000 5.90% Term Bonds Due September 1, 2010—Price 100%
\$4,420,000 6.375% Term Bonds Due September 1, 2027—Price 100%**

The Bonds are offered when, as and if issued, subject to approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Certain legal matters will also be passed on by Jones Hall, A Professional Law Corporation as Disclosure Counsel. Certain legal matters will be passed upon for the City by the City Attorney and for the Underwriter by Orrick, Herrington & Sutcliffe LLP, Los Angeles, California. It is anticipated that the Bonds will be available for delivery to DTC on or about November 9, 2000 in New York, New York.

Stone & Youngberg LLC

No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representations in connection with the offer or sale of the Bonds other than as contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. This Official Statement is not to be construed as a contract with the purchasers of the Bonds.

When used in this Official Statement and in any continuing disclosure by the District, in any press release and in any oral statement made with the approval of an authorized officer of the District, 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" within the meaning of the Private Securities Litigation Reform Act of 1995. 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 District since the date hereof.

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

In accordance with federal securities laws, the Underwriter has reviewed this official statement, but does not guarantee its accuracy or completeness.

In connection with this offering, the Underwriter may overallocate or effect transactions which stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the public offering prices set forth on the cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

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

CITY OF ROSEVILLE, CALIFORNIA

City Council

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

City Staff

Allen E. Johnson, *City Manager*
Russell Cochran Branson, *Finance Director*
Mark Doane, Esq., *City Attorney*
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OFFICIAL STATEMENT

\$5,465,000

**WOODCREEK EAST COMMUNITY FACILITIES DISTRICT NO. 1
SPECIAL TAX BONDS
SERIES 2000**

INTRODUCTION

This Official Statement, including the cover page and all Appendices hereto, is provided to furnish certain information in connection with the issuance by the City of Roseville (the "City") by and through its Woodcreek East Community Facilities District No. 1 (the "Community Facilities District" or the "District") of \$5,465,000 aggregate principal amount of bonds designated City of Roseville Woodcreek East Community Facilities District No. 1 Special Tax Bonds Series 2000 (the "Bonds"). The Bonds will be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, constituting Section 53311 *et seq.* of the California Government Code (the "Act"), a Fiscal Agent Agreement, dated as of November 1, 2000 (the "Fiscal Agent Agreement"), by and between the City and U.S. Trust Company, National Association, as fiscal agent (the "Fiscal Agent") and Resolution No. 00-493 (the "Resolution") adopted on October 11, 2000 by the City Council of the City (the "City Council") which authorized the issuance of the Bonds payable from Special Taxes (as defined herein) levied on property within the District according to a methodology approved by the City.

The Bonds shall be issued only as fully registered bonds in book-entry form, registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), without coupons, in the denomination of \$5,000 or any integral multiple thereof and shall be dated as of and bear interest from the date of delivery thereof at the rate or rates set forth on the cover page hereof. Interest on the Bonds is payable on March 1 and September 1 of each year (each an "Interest Payment Date"), commencing March 1, 2001. Ultimate purchasers of Bonds will not receive physical certificates representing their interest in the Bonds. So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the Owners shall mean Cede & Co., and shall not mean the ultimate purchasers of the Bonds. Payments of the principal, premium, if any, and interest on the Bonds will be made directly to DTC, or its nominee, Cede & Co. so long as DTC or Cede & Co. is the registered owner of the Bonds. Disbursements of such payments to DTC's Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC's Participants and Indirect Participants, as more fully described herein. See "THE BONDS — Book-Entry System."

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

Pursuant to the Act, the City Council adopted Resolution No. 00-391 on August 30, 2000 stating its intent to establish the District, to authorize the issuance of bonds and to hold an election pursuant to the Act. The single landowner who then comprised the sole qualified elector of the District authorized the District, by passing the ballot measure, to incur bonded indebtedness in an amount not to exceed \$6,000,000 to finance the Improvements (defined herein) and approved the rate and method of apportionment of Special Tax for the District (the "Special Tax Formula") for the levy of a special tax (the "Special Tax" or "Special Taxes") upon certain property in the District. The City has covenanted not to issue any bonds secured by the Special Tax in the District other than the Bonds, except the City may issue bonds to refund the Bonds. The maximum annual Special Tax for the District is \$584,335. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Special Tax Methodology" and "APPENDIX A — RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX."

The Bonds are being sold to provide the City with funds to be used (i) to acquire certain roadway facilities and other public improvements and facilities (the "Improvements" as more particularly described herein) related to development within the District, (ii) to establish a reserve fund with respect to the Bonds (the "Reserve Fund"), (iii) to provide for capitalized interest on the Bonds and (iv) to pay the costs of issuance of the Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS." The amount of Bond proceeds deposited into the Reserve Fund upon issuance of the Bonds will equal the "Reserve Requirement," which is the lesser of (i) 10% of the original principal amount of the Bonds, or (ii) 100% of maximum annual debt service on the Bonds, or (iii) 125% of average annual debt service on the Bonds.

Construction of the Improvements is required for development within the District to proceed. As of October 2000 the property in the District is undeveloped and owned by a single owner with vested entitlements created under an executed Development Agreement (described herein). Construction of the Improvements to be financed with proceeds of the Bonds is expected to commence in May 2001 and the owner of the property in the District projects that the Improvements will be substantially complete in eight months. See "THE IMPROVEMENTS" below.

The City is located about 16 miles northeast of Sacramento, the California capitol, and 110 miles east of San Francisco in California's Sacramento Valley, near the foothills of the Sierra Nevada. With an estimated population of 74,200 as of January 2000, Roseville is the largest city in Placer County in addition to being its residential and industrial center. The City was incorporated April 10, 1909. The City adopted its first charter in 1934 and its present charter in 1955. See Appendix D herein for more information on the City.

The District is located in the northern portion of the City within the City's North Industrial Plan Area ("NIPA"). This District consists of approximately 180.7 acres of undeveloped land. The property is currently zoned to allow 350 low density single family dwelling units on approximately 88 gross acres. The District is located approximately five miles northwest of downtown Roseville in an area of recent growth within the City, north of Blue Oaks Boulevard, and approximately one mile west of the State Highway 65 bypass. Property in the District is not within a specific plan area and is immediately east of residential zoned property under construction in the City's North Roseville Specific Plan area. All of the

property in the District is currently owned by a single entity, Richland Meadowland Ltd. (the "Landowner"). The Landowner is not a developer and has granted an irrevocable option for sale of the entire property to its affiliate, Highland Reserve North Limited Partnership (herein, the "Developer"). See "OWNERSHIP OF PROPERTY WITHIN THE DISTRICT". The Developer will construct the Improvements. The Developer anticipates acquiring the property and constructing the Improvements. The Developer has submitted to the City planning department a tentative subdivision map proposing 7 large lots comprising the 350 single-family residential lots contemplated in the Development Agreement but does not yet have tentative map approval. The Developer is not a homebuilder and will not construct and sell homes in the District, but contemplates selling the property to one or more homebuilders. See "THE DISTRICT — Anticipated Development in the District."

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

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

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

Certain statements included or incorporated by reference in this Official Statement constitute "forward looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and Section 27A of the Securities Act of 1933, as amended (the "Securities Act"). Such statements are generally identifiable by the terminology used, such as "plan", "expect", "anticipate", "estimate", "budget", "forecast", or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Except as set forth in the Continuing Disclosure Agreements described in Appendix F hereto, neither the City nor the Developer plans to issue any updates or revisions to those forward-looking statements if or when their expectations, or events, conditions or circumstances on which such statements are based, occur or fail to occur.

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

THE BONDS

Authority for Issuance

The Bonds are issued pursuant to the Fiscal Agent Agreement, approved by Resolution No. 00-493 adopted by the City Council on October 11, 2000, and the Act.

The District was established and authorized to incur bonded indebtedness in an aggregate principal amount not to exceed \$6,000,000 at a special election in the District held on October 11, 2000 pursuant to the Act. Under the provisions of the Act, since there were fewer than 12 registered voters residing within the District at a point during the 90-day period preceding the adoption of the City's Resolution No. 00-489 on October 11, 2000 (the "Resolution of Formation"), the sole qualified elector was the Landowner who was entitled to cast one vote for each acre or portion of an acre of land owned within the District. The Landowner voted to incur the indebtedness and to approve the annual levy of Special Taxes to be collected within the District, for the purpose of paying for the Improvements, including repaying any indebtedness of the District, replenishing the Reserve Fund and paying the administrative expenses of the District. See "THE DISTRICT" herein. The City has covenanted not to issue any additional bonds secured by the Special Tax in the District other than the Bonds, except to refund the Bonds.

Description of the Bonds

The Bonds are being issued as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York, 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. Ultimate purchasers of Bonds will not receive physical certificates representing their interest in the Bonds. So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the Owners shall mean Cede & Co., and shall not mean the ultimate purchasers of the Bonds. Payments of the principal, premium, if any, and interest on the Bonds will be made directly to DTC, or its nominee, Cede & Co., by U.S. Trust Company, National Association, San Francisco, California, as the fiscal agent, registrar and transfer agent for the Bonds, so long as DTC or Cede & Co. is the registered owner of the Bonds. Disbursements of such payments to DTC's Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC's Participants and Indirect Participants, as more fully described herein. See "Book-Entry System" below.

The Bonds will be dated as of and bear interest from the date of delivery thereof at the rates and mature in the amounts and years, as set forth on the cover page hereof. The principal of the Bonds and premiums due upon the redemption thereof, if any, will be payable in lawful money of the United States of America at the principal corporate trust office of the Fiscal Agent in San Francisco, California, or such other place as designated by the Fiscal Agent, upon presentation and surrender of the Bonds.

Interest on the Bonds, computed on the basis of a 360-day year consisting of twelve 30-day months, will be paid in lawful money of the United States of America semiannually on March 1 and September 1 of each year (each an "Interest Payment Date"), commencing March 1, 2001. Interest on the Bonds (including the final interest payment upon maturity or earlier redemption) is payable by check of the Fiscal Agent mailed on the Interest Payment Dates by first class mail to the registered Owner thereof at such registered Owner's address as it appears on the registration books maintained by the Fiscal Agent at the close of business on the Record Date preceding the Interest Payment Date, or by wire transfer made on such Interest Payment Date upon written instructions received by the Fiscal Agent on or before the Record Date

preceding the Interest Payment Date, of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds; provided that so long as any Bonds are in book-entry form, payments with respect to such Bonds shall be made by wire transfer, or such other method acceptable by the Fiscal Agent, to DTC. See "Book-Entry System" below.

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

Redemption

Optional Redemption. The Bonds shall be subject to optional redemption from any source of available funds prior to maturity, in whole, or in part among maturities as shall be specified by the City and by lot within a maturity, on any Interest Payment Date on or after September 1, 2010, at the following respective redemption prices (expressed as percentages of the principal amount of the Bonds to be redeemed), plus accrued interest thereon to the date of redemption:

<u>Redemption Dates</u>	<u>Redemption Price</u>
September 1, 2010 and March 1, 2011	102%
September 1, 2011 and March 1, 2012	101
September 1, 2012 and Interest Payment Dates thereafter	100

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

<u>Redemption Dates</u>	<u>Redemption Price</u>
March 1, 2001 to and including March 1, 2010	103%
September 1, 2010 and March 1, 2011	102
September 1, 2011 and March 1, 2012	101
September 1, 2012 and Interest Payment Dates thereafter	100

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

Mandatory Sinking Fund Redemption.

Term Bonds of 2005. The Term Bonds maturing September 1, 2005 are subject to mandatory sinking payment redemption in part on September 1, 2002 and on each September 1 thereafter to maturity, by lot, at a redemption price equal to one hundred percent (100%) of the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts as set forth in the following table:

Term Bonds of 2005

Mandatory Redemption Date (September 1)	Sinking Fund Payment
2002	\$ 95,000
2003	95,000
2004	105,000
2005 (maturity)	110,000

Term Bonds of 2010. The Term Bonds maturing September 1, 2010 are subject to mandatory sinking payment redemption in part on September 1, 2006 and on each September 1 thereafter to maturity, by lot, at a redemption price equal to one hundred percent (100%) of the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts as set forth in the following table:

Term Bonds of 2010

Mandatory Redemption Date (September 1)	Sinking Fund Payment
2006	\$115,000
2007	120,000
2008	125,000
2009	135,000
2010 (maturity)	145,000

Term Bonds of 2027. The Term Bonds maturing September 1, 2027 are subject to mandatory sinking payment redemption in part on September 1, 2011 and on each September 1 thereafter to maturity, by lot, at a redemption price equal to one hundred percent (100%) of the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts as set forth in the following table:

Term Bonds of 2027

<u>Mandatory Redemption Date (September 1)</u>	<u>Sinking Fund Payment</u>	<u>Mandatory Redemption Date (September 1)</u>	<u>Sinking Fund Payment</u>
2011	\$150,000	2020	\$265,000
2012	160,000	2021	280,000
2013	170,000	2022	300,000
2014	180,000	2023	320,000
2015	195,000	2024	340,000
2016	205,000	2025	360,000
2017	220,000	2026	385,000
2018	235,000	2027 (maturity)	405,000
2019	250,000		

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

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

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

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

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

Whenever provision is made in the Fiscal Agent Agreement for the redemption of less than all of the Bonds of any maturity, the Fiscal Agent shall select the Bonds to be redeemed, from all Bonds or such given portion thereof of such maturity by lot in any manner which the

Fiscal Agent in its sole discretion shall deem appropriate. Upon surrender of Bonds redeemed in part only, the City shall execute and the Fiscal Agent shall authenticate and deliver to the registered Owner, at the expense of the City, a new Bond or Bonds, of the same series and maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond or Bonds.

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

Transfer or Exchange of Bonds

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

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

Bonds Mutilated, Lost, Destroyed or Stolen

If any Bond shall become mutilated, the City shall execute, and the Fiscal Agent shall authenticate and deliver, a new Bond of like tenor and principal amount in exchange and substitution for the Bond so mutilated, but only upon surrender to the Fiscal Agent of the Bond so mutilated. Every mutilated Bond so surrendered to the Fiscal Agent shall be canceled by it and destroyed by the Fiscal Agent who shall deliver a certificate of destruction thereof to the City. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Fiscal Agent and, if such evidence be satisfactory to it and indemnity for the Fiscal Agent and the City satisfactory to the Fiscal Agent shall be given, the City shall execute, and the Fiscal Agent shall authenticate and deliver, a new Bond of like tenor and principal amount in lieu of and in substitution for the Bond so lost, destroyed or stolen. The City may require payment of a sum not exceeding the actual cost of preparing each new Bond delivered and of the expenses which may be incurred by the City and the Fiscal Agent for the preparation, execution, authentication and delivery.

Book-Entry System

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Bond will be issued for each maturity of the Bonds, each in the aggregate principal

amount of such maturity, and will be deposited with DTC. DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants (the "Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. "Direct Participants" include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued. To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such securities are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed. Neither DTC nor Cede & Co. will consent or vote with respect to the Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to an issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, mandatory redemption and interest payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on payment dates in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the date payable. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities

held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Fiscal Agent or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the City or the Fiscal Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be responsibility of Direct and Indirect Participants.

The City cannot and does not give any assurances that DTC, DTC Participants or others will distribute payments of principal, interest or premium with respect to the Bonds paid to DTC or its nominee as the registered owner, or will distribute any redemption notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. The City is not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner with respect to the Bonds or an error or delay relating thereto.

The foregoing description of the procedures and record-keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interests in such Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Discontinuance of Book-Entry System

DTC may discontinue providing its services with respect to the Bonds at any time by giving notice to the Fiscal Agent and discharging its responsibilities with respect thereto under applicable law or the City may terminate participation in the system of book-entry transfers through DTC or any other securities depository at any time. In the event that the book-entry system is discontinued, the City will execute, and the Fiscal Agent will authenticate and make available for delivery, replacement Bonds in the form of registered bonds. In addition, the principal of and redemption premium, if any, on the Bonds will be payable as set forth in the Fiscal Agent Agreement and summarized above under the caption "Description of the Bonds." Bonds will be transferable and exchangeable on the terms and conditions provided in the Fiscal Agent Agreement. See "Transfer or Exchange of Bonds" above.

ESTIMATED SOURCES AND USES OF FUNDS

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

Estimated Sources of Funds:	
Principal Amount of Bonds	\$ 5,465,000.00
Total	\$ 5,465,000.00
Estimated Uses of Funds:	
Deposit to Improvement Fund	\$ 4,315,093.36
Deposit to Reserve Fund	436,000.00
Deposit to Bond Fund ⁽¹⁾	447,088.89
Costs of Issuance ⁽²⁾	<u>266,817.75</u>
Total	\$ 5,465,000.00

⁽¹⁾ Represents capitalized interest to March 1, 2002.

⁽²⁾ Includes Underwriter's discount, fees of Bond Counsel and Disclosure Counsel, expenses and charges of the Fiscal Agent, costs of printing the Official Statement, administrative fees of the City, and other costs of issuance.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Special Taxes

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

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

The amount of Special Taxes that the District may levy in any year, and from which principal and interest on the Bonds is to be paid, is strictly limited by the maximum rates approved by the qualified electors within the District which are set forth as the "Maximum Special Tax" in the Special Tax Formula. Under the Special Tax Formula, Special Taxes for the purpose of making payments on the Bonds will be levied annually in an amount, not in excess of the Maximum Special Tax. The Special Taxes and any interest earned on the Special Taxes shall constitute a trust fund for the principal of and interest on the Bonds pursuant to the Fiscal Agent Agreement and, so long as the principal of and interest on these obligations remains unpaid, the Special Taxes and investment earnings thereon shall not be used for any other purpose, except as permitted by the Fiscal Agent Agreement, and shall be held in trust for the benefit of the owners thereof and shall be applied pursuant to the Fiscal Agent Agreement. The

Special Tax Formula apportions the Annual Costs (as defined in the Special Tax Formula 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 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 Annual Costs (as defined below). Approximately 18 months of bond interest payments have been capitalized from proceeds of the Bonds. Thereafter, the City may levy the Special Tax at the Maximum Special Tax rate authorized by the qualified electors within the District as set forth in the Special Tax Formula if conditions so require. Because each Special Tax levy is limited to the Maximum Special Tax rates authorized as set forth in the Special Tax Formula, no assurance can be given that, in the event of Special Tax delinquencies, the amount of the Annual Costs will in fact be collected in any given year. See "SPECIAL RISK FACTORS — Insufficiency of Special Taxes" herein. The Special Taxes are collected for the City by the County of Placer in the same manner and at the same time as *ad valorem* property taxes.

The City has covenanted that, after issuance of the Bonds, it will not issue any additional bonds secured by the Special Tax in the District except to refund the Bonds.

Special Tax Methodology

The Special Tax authorized under the Act applicable to land within the District will be levied and collected according to the tax liability determined by the City through the application of the appropriate amount or rate as described in the Special Tax Formula (defined terms set forth below in this section have the meanings set forth in the Special Tax Formula) set forth in "APPENDIX A — RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX." Each year, the City will determine the Annual Costs of the District for the upcoming fiscal year. The "Annual Costs" include the following items (i) debt service on the Bonds; (ii) Administrative Expenses and County fees; (iii) delinquencies in Special Taxes for the previous Fiscal Year or anticipated for the current year; (iv) amounts needed to replenish the Reserve Fund and to pay for delinquencies in Special Taxes for the previous Fiscal Year or anticipated for the current year; and (v) pay-as-you-go expenditures for authorized Improvements. The Developer does not presently contemplate utilizing the pay-as-you-go component of the Special Tax Formula, however the mechanism may be utilized in the event the cost of the Improvements exceeds the amounts in the Improvement Fund available therefor and the Developer elects not to pay such deficiency from the Developer's other available sources of funds. The Annual Costs are the basis for the amount of Special Tax to be levied within the District. In no event may the City levy a Special Tax in any year above the Maximum Special Tax identified for each parcel in the Special Tax Formula.

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

Assignment of Maximum Special Tax. The Special Tax Formula describes in detail the precise method for assigning the Maximum Special Tax to parcels within the District, which generally provides that each year the City will use the definitions contained in the Special Tax

Formula to classify each parcel as tax-exempt or taxable. The Special Tax Formula assigns a total maximum tax to the existing Original Parcels (as defined in the Special Tax Formula) and then reallocates the tax to Successor Parcels (as defined in the Special Tax Formula) based on pro rata share of net developable area. The Developer initially contemplates subdividing the property into seven "large lot" parcels, which are expected to be further subdivided into the contemplated 350 residential lots. Upon creation of the 350 single family residential lots, the annual Maximum Special Tax for the District is expected to be \$584,335, or \$1,669.53 per lot.

Termination of the Special Tax. The Special Tax will be levied and collected for as long as needed to pay the principal and interest on the Bonds and other costs incurred in order to construct the Improvements and authorized District-funded facilities and to pay the Annual Costs. The Special Tax Formula provides that the Special Tax may not be levied on any parcel in the District after fiscal Year 2035-36. When all Annual Costs incurred by the District have been paid, the Special Tax will cease to be levied.

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

Levy of Maximum Annual Special Tax and Debt Service Coverage

The annual Special Tax will be calculated by the City and levied to provide money for debt service on the Bonds, replenishment of the Reserve Fund, anticipated Special Tax delinquencies, administration of the District, and for payment of pay-as-you-go expenditures or reimbursements for costs of the Improvements or authorized District-funded facilities not funded from Bond proceeds. The annual Maximum Special Tax per parcel is based on a uniform tax of \$1,669.53 per lot for 350 residential lots. In no event may the City levy a Special Tax in any year above the Maximum Special Tax identified for each parcel in the Special Tax Formula. The annual Maximum Special Tax per parcel is \$1,669.53 per residential lot and zero for open space and public parcels. Because the Maximum Special Taxes are set on a per-parcel basis, the actual tax rate per unit will vary if the actual number of residential lots created is different than anticipated. Interest on the Bonds is capitalized until March 2002

The total Maximum Special Tax levy for Fiscal Year 2002-03 is expected to be approximately \$584,335, which would provide annual debt service coverage on the Bonds of approximately 134%.

Proceeds of the annual Special Tax levy will first be used to pay the Annual Costs 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. As of the date of issuance of the Bonds, the Developer does not anticipate utilizing the pay-as-you-go component of the Special Tax Formula, however the mechanism may be utilized in the event the cost of the Improvements exceeds the amounts in the Improvement Fund available therefor and the Developer elects not to pay such deficiency from the Developer's other available sources of funds. See "THE IMPROVEMENTS" and "APPRAISAL OF PROPERTY

IN THE DISTRICT." See also "SECURITY AND SOURCES OF PAYMENTS 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. The Fiscal Agent Agreement provides that no additional bonds secured by the levy of Special Tax may be issued, except to refund the Bonds.

Special Tax Fund

When received, the Special Taxes are required under the Fiscal Agent Agreement to be deposited into a Special Tax Fund to be held by the City in trust for the benefit of the City and the Owners of the Bonds. Within the Special Tax Fund, the Treasurer will establish and maintain two accounts, (i) the Debt Service Account, to the credit of which the City will deposit, immediately upon receipt, all Special Tax Revenue, and (ii) the Surplus Account, to the credit of which the City will deposit surplus Special Tax Revenue as described below. Moneys in the Special Tax Fund will be disbursed as provided below and, pending any disbursement, will be subject to a lien in favor of the Owners of the Bonds. From time to time, the City may withdraw from the Debt Service Account and/or the Surplus Account of the Special Tax Fund amounts needed to pay the City administrative expenses; provided that such transfers shall not be in excess of the portion of the Special Tax Revenues collected by the City that represent levies for administrative expenses.

All Special Tax Revenue will be deposited in the Debt Service Account upon receipt. No later than ten (10) Business Days prior to each Interest Payment Date, the City will withdraw from the Debt Service Account of the Special Tax Fund and transfer (i) to the Fiscal Agent for deposit in the Reserve Fund, an amount which when added to the amount then on deposit therein is equal to the Reserve Requirement, and (ii) to the Fiscal Agent for deposit in the Bond Fund an amount, taking into account any amounts then on deposit in the Bond Fund such that the amount in the Bond Fund equals the principal, premium, if any, and interest due on the Bonds on the next Interest Payment Date. At such time as deposits to the Debt Service Account equal the principal, premium if any, and interest becoming due on the Bonds for the current Bond Year and the amount needed to restore the Reserve Fund balance to the Reserve Requirement, the amount in the Debt Service Account in excess of such amount may, at the discretion of the City, be transferred to the Surplus Account, which shall occur on or after September 15th of each year. If there has been no levy for pay-as-you-go expenditures it is unlikely there will be amounts to be transferred to the Surplus Account.

Moneys in the Surplus Account may, at the City's discretion, be transferred to the Improvement Fund to pay for costs of the Improvements 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 – Acquisition by the City."

Deposit and Use of Proceeds of Bonds

The Bonds are additionally secured by amounts generated from proceeds of the Bonds, together with interest earnings thereon pledged under the Fiscal Agent Agreement. The proceeds of the initial purchase of the Bonds shall be paid to the Fiscal Agent, who shall deposit such proceeds in the Improvement Fund, Reserve Fund and Costs of Issuance Fund established under the Fiscal Agent Agreement. In addition, upon delivery of the Bonds, the City will transfer to the Fiscal Agent for deposit into the Bond Fund an amount from Bond proceeds sufficient to provide for the payment of the interest due on the Bonds to March 1, 2002. See "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT" for information on use of the moneys, including investment earnings

thereon, in the various funds established under the Fiscal Agent Agreement. See also "Reserve Fund" and "Improvement Fund" below.

Delinquent Payments of Special Tax; Covenant for Superior Court Foreclosure

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

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

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

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

Reserve Fund

In order to secure further the timely payment of principal of and interest on the Bonds, the City is required to maintain on deposit in the Reserve Fund held by the Fiscal Agent an amount set forth in the Fiscal Agent Agreement equal to the "Reserve Requirement," which is the lesser of 10% of the original principal amount of the Bonds, 100% of maximum annual debt service on the Bonds, or 125% of average annual debt service on the Bonds. The City is required to maintain an amount of money or other investments equal to the Reserve Requirement in the Reserve Fund at all times that the Bonds are outstanding. All amounts deposited in the Reserve Fund shall be used and withdrawn by the Fiscal Agent solely for the purpose of making transfers to the Bond Fund in the event of any deficiency at any time in the Bond Fund of the amount then required for payment of the principal of, and interest on, the Bonds. Whenever transfer is made from the Reserve Fund to the Bond Fund due to a deficiency in the Bond Fund, the Fiscal Agent shall provide written notice thereof to the City. Whenever, on the Business Day prior to any Interest Payment Date, the amount in the Reserve Fund exceeds the then applicable Reserve Requirement, the Fiscal Agent shall transfer an amount equal to the excess from the Reserve Fund to the Bond Fund 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 shall be invested and deposited in accordance with the Fiscal Agent Agreement. Interest earnings and profits resulting from the investment of moneys in the Reserve Fund and other moneys in the Reserve Fund shall remain therein until the balance exceeds the Reserve Requirement; any amounts in excess of the Reserve Requirement shall be transferred to the Improvement Fund, if the Improvements have not been completed, or if the Improvements have been completed, to the Bond Fund to be used for the payment of the principal of and interest on the Bonds in accordance with the Fiscal Agent Agreement.

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

Improvement Fund

Under the Fiscal Agent Agreement, there is established an Improvement Fund, which is to be held in trust by the City and pledged to payment of the Bonds. The Improvement Fund shall be disbursed as provided in the Fiscal Agent Agreement for the payment or reimbursement of the costs of the construction and acquisition of the Improvements in accordance with the Acquisition Agreement (as described herein). Interest earnings from the investment of amounts in the Improvement Fund shall be retained in the Improvement Fund to be used for the purposes of the Improvement Fund. Upon completion of the Improvements and reimbursement to the Developer for authorized reimbursements, the City will transfer the amount, if any, remaining in the Improvement Fund to the Fiscal Agent for deposit in the Bond Fund for application to the payment of principal of and interest on the Bonds in accordance with the Fiscal Agent Agreement, and the Improvement Fund will be closed. See "THE IMPROVEMENTS."

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.

Woodcreek East Community Facilities District No. 1 Special Tax Bonds Series 2000 Debt Service

Year Ending (Sept. 1)	Principal	Interest	Total
2001		\$276,588.89 ⁽¹⁾	\$276,588.89
2002	\$ 95,000	341,000.00 ⁽²⁾	436,000.00
2003	95,000	335,965.00	430,965.00
2004	105,000	330,930.00	435,930.00
2005	110,000	325,365.00	435,365.00
2006	115,000	319,535.00	434,535.00
2007	120,000	312,750.00	432,750.00
2008	125,000	305,670.00	430,670.00
2009	135,000	298,295.00	433,295.00
2010	145,000	290,330.00	435,330.00
2011	150,000	281,775.00	431,775.00
2012	160,000	272,212.50	432,212.50
2013	170,000	262,012.50	432,012.50
2014	180,000	251,175.00	431,175.00
2015	195,000	239,700.00	434,700.00
2016	205,000	227,268.76	432,268.76
2017	220,000	214,200.00	434,200.00
2018	235,000	200,175.00	435,175.00
2019	250,000	185,193.76	435,193.76
2020	265,000	169,256.26	434,256.26
2021	280,000	152,362.50	432,362.50
2022	300,000	134,512.50	434,512.50
2023	320,000	115,387.50	435,387.50
2024	340,000	94,987.50	434,987.50
2025	360,000	73,312.50	433,312.50
2026	385,000	50,362.50	435,362.50
2027	405,000	25,818.76	430,818.76
Total	<u>\$5,465,000</u>	<u>\$6,086,141.43</u>	<u>\$11,551,141.43</u>

(1) Interest is capitalized from Bond proceeds.

(2) A portion of interest is capitalized from Bond proceeds

THE DISTRICT

General

On August 30, 2000, 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 October 11, 2000, the City Council adopted the Resolution of Formation, which established Woodcreek East Community Facilities District No. 1, set forth the Special Tax Formula within the District and set forth the necessity to incur bonded indebtedness in a total amount not to exceed \$6,000,000. The City has covenanted not to issue any additional bonds secured by the Special Tax in the District.

On October 11, 2000 an election was held within the District in which the Richland Meadowland, Ltd., the single Landowner eligible to vote unanimously approved the proposed bonded indebtedness and the levy of the Special Tax. The Landowner is not a land developer and contemplates conveying the District property to its affiliate, Highland Reserve North Limited Partnership (the "Developer") pursuant to an irrevocable option agreement. The Developer intends to construct the major infrastructure improvements required to serve the District (see "THE IMPROVEMENTS" below). The Developer is not a homebuilder and contemplates selling unfinished residential lots with tentative map approval to one or more homebuilders. See "OWNERSHIP OF PROPERTY WITHIN THE DISTRICT" below.

Location of the District

The District is located approximately five miles northwest of downtown Roseville and is accessed by Woodcreek Oaks Boulevard, north of Blue Oaks Boulevard. It is approximately one mile west of the State Highway 65 bypass. Blue Oaks Boulevard has been recently reconstructed and meets Highway 65 at a recently constructed interchange, providing regional access to both the Highway 65 corridor to the north and the Interstate 80 corridors to the east and west.

The District is within the "Woodcreek East" sub-area of the northwest quadrant of the City's North Industrial Planning Area ("NIPA"), on the east side of Woodcreek Oaks Boulevard, adjacent to the City's northern boundary. The District comprises all of the approximate 188-acre Woodcreek East residential sub-area of NIPA except for an approximate 7.3 acre parcel containing an existing single-family residence located in the extreme southeast portion of the sub-area. The District is generally bound by Woodcreek Oaks Boulevard on the west (across the street from the North Roseville Specific Plan's Diamond Creek neighborhood), the Roseville/Placer County line on the north, and predominately undeveloped light-industrial zoned land on the east and on the south. The property is generally a quadrangle in shape and has generally level to gently undulating topography. High-tension power lines traverse the northern border. The southern portion of the property is planned open space and is bisected in an east-west manner by Pleasant Grove Creek.

The District currently is comprised of two assessor's parcels. The area within the District is currently undeveloped vacant land. It includes approximately 3,000 linear feet of frontage on Woodcreek Oaks Boulevard. Its proximity to the new Galleria Regional Mall (anchored by Nordstrom, Macy's, Penney's and Sears) located approximately three miles to the east, coupled with the existing adjacent retail development along the Highway 65 corridor (including Home Depot, Wal-Mart, Toys-R-U's and Costco), provides convenient access to retail services. During the past 20 years, significant portions of the City and adjacent areas have experienced a transition from largely undeveloped, agriculturally oriented uses toward a mixture of urban land uses, and this transition has particularly intensified in the City during the

past 10 years. Property in the District is adjacent to recent growth areas of both the City and Rocklin and of unincorporated County areas and is partially bordering new and currently developing single-family and multi-family residential developments to the south and west. The projected population within the District at total build out is estimated by the City to be approximately 890 (assuming an average household size of 2.54).

The District is contiguous on its western border with a portion of the eastern border of the approximate 734-acre Phase 1 of the two-phase North Roseville Specific Plan development area, as amended (the "North Roseville Specific Plan") which was adopted by the City in 1997. The North Roseville Specific Plan area includes all properties in the north and west side of the City which at the time of its adoption were not zoned for urban use or previously included in a specific plan. Development in the North Roseville Specific Plan area began in the summer of 1998 with the initial construction of infrastructure improvements within Phase 1. As approved, a maximum of 2,474 dwelling units, including a maximum of 400 attached units proposed to be developed in the Eskaton Village senior living campus are allowed in Phase 1, supporting a projected population of approximately 5,868 residents. Homes are under construction and completed in the North Roseville Specific Plan area and as of the end of August 2000, 191 homes had been sold and approximately 268 were under construction. Phase 2 of the North Roseville Specific Plan area is comprised of two noncontiguous parcels encompassing an area of approximately 654 acres planned for approximately 2,575 dwelling units. A 160 acre portion of Phase 2 is located immediately west of the North Roseville Specific Plan area and development of the planned 561 low to medium density single family homes is planned by Mourier Construction. The remaining 494-acre portion of Phase 2 is south of the recently developed and sold out Del Webb subdivision and is owned and being developed by various homebuilder entities and project grading is underway in portions of the area. A substantial portion of the infrastructure improvements for both Phase 1 and Phase 2 of the development underway in the North Roseville Specific Plan area was financed with proceeds of community facilities district bonds issued by the City in 1998 and 1999.

The District includes an open space corridor which contains a branch of Pleasant Grove Creek and which separates and buffers the single-family land uses within the District from the non-residential land uses in the Sunset Industrial Area to the north (located in unincorporated Placer County) and the NIPA to the east and south. These light industrial and industrial areas collectively encompass approximately 10,000 acres, are recognized as a significant existing and potential employment base within the region, and include the approximate 487-acre Hewlett-Packard and approximate 154-acre NEC Electronics existing facilities in the NIPA. Expansion of both of these facilities has occurred over the years, and each company holds additional vacant land. Currently, these two firms collectively employ over 7,000. Development of these campuses initially began in 1978 and 1982, respectively, and each has significant frontage on Foothills Boulevard and is easily accessible to the District. Developments located on the north side of Blue Oaks Boulevard include the existing 171-acre Foothills Center Business Park and the proposed 98-acre Roseville Technology Park. The area to the northwest of these developments is currently undeveloped and outside the City limits and will likely remain so for several years as the necessary infrastructure has yet to be extended.

The District is surrounded on three sides by an open space/creek corridor/greenway buffer averaging approximately 500 feet in width. Exclusive access to the project is planned to be provided by an internal loop residential street that connects at both ends to Woodcreek Oaks Boulevard. Although the Developer does not plan to develop the project as a gated community, the limited access and open space buffer will eliminate pass through traffic and are expected to provide an increased level of privacy.

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

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RICHLAND COMMUNITIES
 Roseville, California
 (916) 782-3330



Date Flown: March 2000
 Altitude: 24,000'



Placer County
 City of Roseville

Site

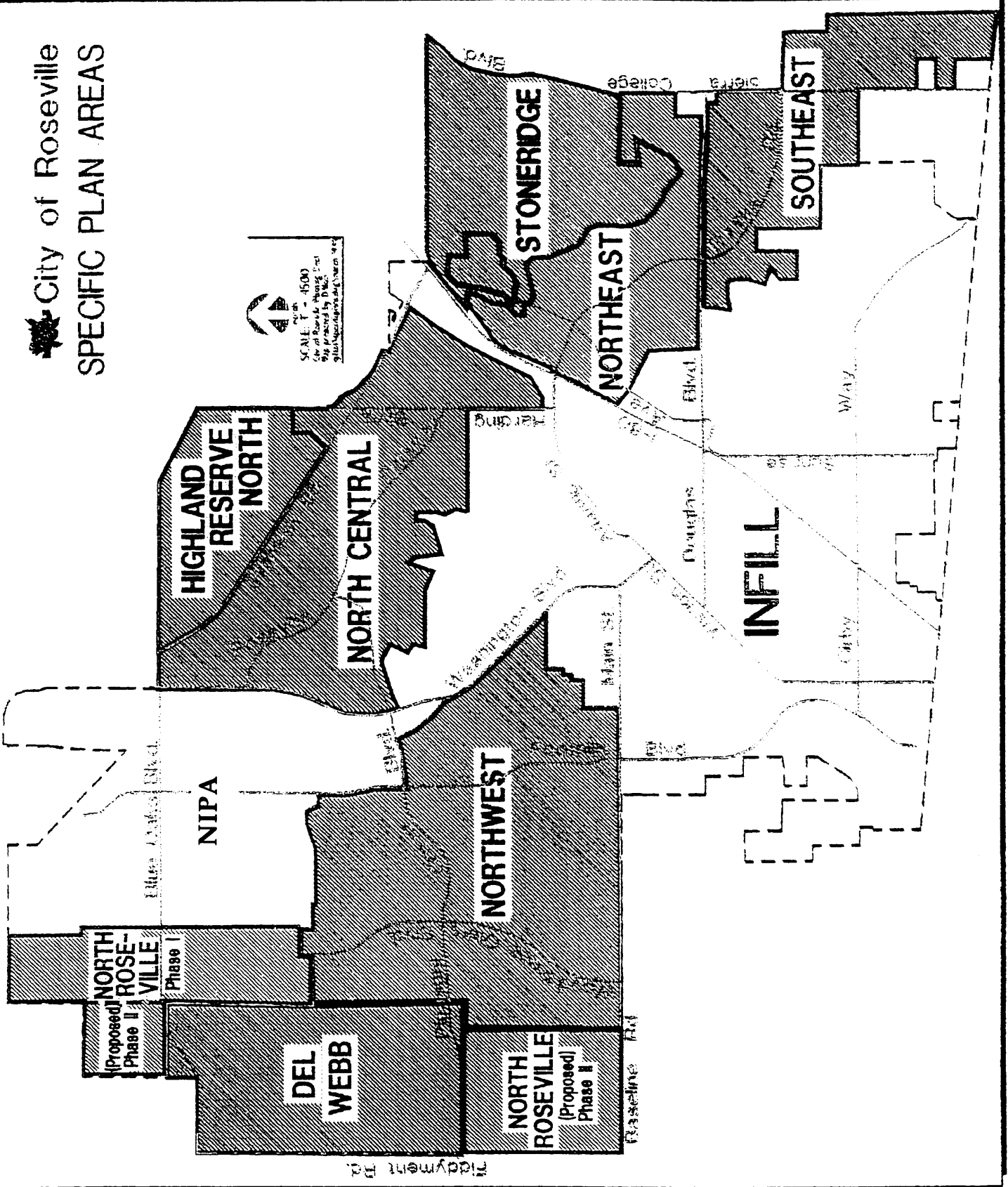
NORTHWEST ROSEVILLE
 SPECIFIC PLAN AREA

City of Roseville

Placer County

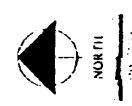
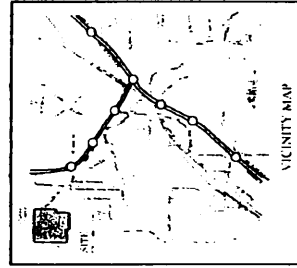
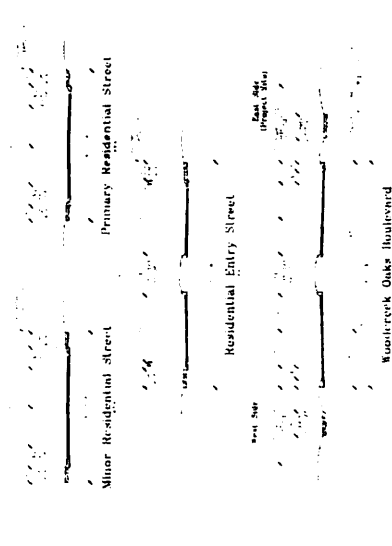
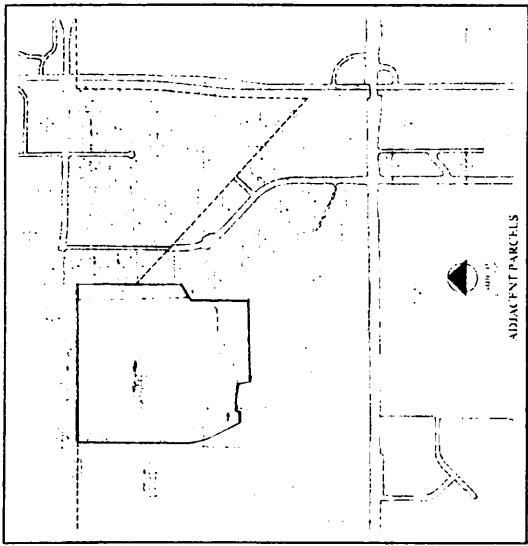
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City of Roseville
SPECIFIC PLAN AREAS



SCALE: 1" = 4500'
 City of Roseville Planning Dept.
 Map prepared by D.W.M.
 5/10/2004 (Approved Version 4.1)

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LAND USE SUMMARY

Category	Area (Acres)
Residential	12.5
Commercial	0.5
Public Use	0.5
Open Space	1.5
Water	0.5
Other	0.5
Total	16.0



SITE PLAN

WOODCREEK EAST

Richland Meadowland, Ltd.
Scale: 1" = 100'

Mackay & Sempa Civil Engineers, Inc.
October 14, 1999

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Overview of Southwestern Placer County

The District is located in the southwestern portion of Placer County which, along with portions of adjacent Sacramento County, has experienced rapid growth in recent years. Southwestern Placer County comprises a portion of the northeasterly quadrant of the Sacramento metropolitan area and is generally located at the base of the Sierra Nevada foothills, within the area of influence of the Interstate 80 freeway corridor. For more than a decade, significant new growth and development have occurred along this primary transportation corridor, which extends locally from the central section of the City of Sacramento to the foothills of the Sierra Nevada range.

The incorporated portions of southwestern Placer County have historically served as bedroom communities of the metropolitan Sacramento area, and the 1990 census indicated that approximately 40% of the labor force left the County each day to drive to work. However, in recent years, significant new employment opportunities have been created in the cities of Roseville and Rocklin, contributing to the rapid rate of growth in the southwestern Placer County area. As a result, these cities have now become more balanced relative to jobs and housing and less economically dependent on employment opportunities and services provided in adjacent Sacramento County. In recent years Roseville has become a substantial business and residential center in the greater Sacramento area. For information on the City of Roseville, see "APPENDIX D - THE CITY OF ROSEVILLE."

State Highway 65 is another of the region's primary transportation corridors, and it merges with Interstate 80 at an interchange system located in Roseville. From the interchange, the highway extends northerly through the cities of Roseville and Rocklin to nearby Lincoln. Lincoln has been the focus of some new development in recent years, and substantial residential and commercial development is underway or proposed for Lincoln and nearby project areas in the future. Within the 3,000-acre developed portion of the Sunset Industrial Area along State Highway 65 in the vicinity of Lincoln, Rocklin and Roseville, many major companies have developed plant facilities, including Formica Corporation, Reynolds Metals, Western Electric, Alcan Cable, Ace Hardware (distribution center), Herman Miller Furniture and Albertson's distribution center. The completion of State Highway 65 in the summer of 1987 created a bypass thoroughfare around "downtown" Roseville and has also greatly enhanced this industrial location by providing better accessibility and identity to the area and improved linkage among the cities of Roseville, Rocklin and Lincoln.

The population of Placer County was reported to be approximately 234,400 in January 2000, which represents an increase of approximately 35% over that reported in the 1990 census. By 2005, the County's population is projected to grow to approximately 286,100, an increase of 22% over the 2000 estimate. Roseville has an estimated population of 74,200 as of January 1, 2000. While Roseville and Rocklin have larger populations and have recently been the County's fastest growing cities, it is projected that Lincoln will surpass Rocklin as Placer County's fastest growing city, with the current population of approximately 9,675 increasing to a projected 15,000 by 2005. The current population of Roseville and Rocklin is expected to increase to approximately 173,100 by the year 2015.

Southwestern Placer County and the State Highway 65 corridor in particular have emerged as a major high-technology development hub of the Sacramento region. In addition to various quality-of-life and housing issues, the seismic stability of the area and its location largely out of the floodplain prompted Hewlett-Packard to purchase and begin developing its ±487-acre campus in northwestern Roseville in 1978. Four years later, NEC Electronics began developing a memory chip plant nearby and now owns a ±154-acre campus. Expansion of both of these facilities has occurred over the years, and each company holds additional land in order to accommodate future growth. Today, these two firms collectively employ in excess of 7,000.

In Rocklin, Wells Fargo Bank and Oracle Corporation have purchased sites in Stanford Ranch for their operations. The Galleria regional mall in Roseville was completed in August, 2000 and is the first regional mall development in the last 15 years in the Sacramento area. It is located at the northwest corner of Galleria Boulevard and the Roseville Parkway immediately adjacent to Highway 65. The two-level mall has four major anchors and a total gross leaseable area of 1,120,000 square feet, which is currently 99% leased. The mall features more than 120 retailers and anchors include Macy's, Nordstrom, Penney's and Sears. The construction of the regional mall has stimulated significant commercial activity in both the North Central Roseville Specific Plan and the Highland Reserve North Specific Plan areas and is expected to have a substantial impact on residential development activity as well.

Adjacent to the Galleria to the east, the new 1.4 million square foot Creekside Town Center is scheduled to open this fall. It includes 1.23 million square feet of retail and office uses plus 154,000 square feet of future hotel space. 545,000 square feet of Retail/Office/Restaurant space is proposed across from the Galleria to the south in the Fountains Center. Directly to the north of the Galleria at Five Star Drive is the Stanford Ranch Crossing Shopping Center which includes Costco, Linens 'N Things, Staples, Toys R Us, Sports Authority and McDonald's. Construction of a new Home Depot store on Fairway Drive, just to the west, is now under way and is scheduled to open this fall. Lowe's Home Improvement Warehouse recently purchased a site adjacent to Home Depot and plans to start construction this fall on a 115,000 square foot store which is scheduled to open in early 2001. Winco Foods also purchased a site adjacent to Lowe's and plans to build a discount food store. The Willow Rock Plaza Shopping Center, anchored by Food Source, is located across Stanford Ranch Road on Five Star Drive along with Walmart and various other retailers.

The Placer County Board of Supervisors recently demonstrated its determination to build a stronger economic base for the future by approving the Sunset Industrial Area Plan, which earmarks about 8,900 acres of undeveloped land for industrial development. The proposed redevelopment plan will help provide roads, sewers, water and fire services to assist in attracting business to the unincorporated area adjacent to the cities of Roseville, Rocklin and Lincoln.

The City of Lincoln, located approximately 10 miles north of Roseville, has experienced substantial new development and job growth during the past four years. This growth is largely attributable to Lincoln's proximity to several rapidly growing, high-tech firms and the development and transportation opportunities offered by Lincoln Air Center, an established industrial park located adjacent to the city's municipally-owned airport. The park became the local home of Zytec Services in 1994, now known as Artesyn Solutions, Inc., and began producing power supplies and repairing computers for Hewlett-Packard's nearby operations in Roseville. Since then, four similar firms have joined Artesyn in the Lincoln Air Center, including Express Point Technology, Comtek Computer Systems, ESL Technologies and Exel Logistics. Caliber Logistics, Inc., a contract warehouse and distribution firm for Hewlett-Packard, recently completed a 400,000 square-foot facility. Total employment at these five firms is in excess of 3,000.

One of the more significant recently completed residential developments in southwestern Placer County is Del Webb's Sun City retirement community in Roseville. The project was completed in 1999 and encompasses 1,200 acres along Roseville's western boundary, and includes approximately 3,500 housing units. Over one-third of the acreage is set aside for recreational and open space uses, including nine- and 18-hole golf courses. This development has helped to establish southwestern Placer County as a viable location for seniors-oriented communities, with the rate of sales and buildout far exceeding original expectations. The success of Sun City Roseville has also prompted the Del Webb Corporation to select nearby Lincoln as the location of a similar project. Sales of homes began in February 1999, with

marketing being directed throughout the western United States, and construction is underway within the ±5,300-lot seniors housing community. Sun City Lincoln is proposed to encompass approximately 2,370 acres, or 42% of the expanded ±5,700-acre Twelve Bridges project area, which will accommodate a total of approximately 10,000 lots when completed. With 5,300 homes projected, Sun City Lincoln is planned to be approximately 70% larger than Del Webb's project in Roseville. Del Webb has in escrow or has recently closed escrow on over 800 of the initial homes in the project.

One of the primary reasons the Roseville/Rocklin/Lincoln area is at the forefront of growth in the Sacramento region is its favorable planned growth environment and the quality and thoroughness of its land planning process. The process in these three cities is guided by specific plans - comprehensive documents that spell out not only where growth will occur and at what density, but also how it can be accommodated with the least negative impact on the city. The plans specify designs, detail roadways and facilities, and provide for their funding and phasing. In addition to the large number of planned communities and specific plan areas moving forward in the cities of Roseville, Rocklin and Lincoln and smaller, luxury home subdivisions in the Granite Bay area east of Roseville, the Dry Creek-West Placer Community Plan area southeast of Roseville in unincorporated Placer County now appears to be emerging as a new growth area in southwestern Placer County. This plan area encompasses approximately 9,200 acres and is bounded by Baseline Road on the north, Sutter County to the west, Sacramento County on the south, and Roseville on the east. The median existing home price in 1999 was \$131,841 in Sacramento County, \$205,000 in Placer County and \$177,500 in El Dorado County. The median new home price in the three county area exceeded \$200,000 for the first time ever in 1999.

Educational facilities from kindergarten through high school are provided to southwestern Placer County residents (including those in the District) by a variety of school districts. Advanced educational facilities include Sierra College, located in the city of Rocklin, and numerous colleges and universities in the greater Sacramento area, which include two other community colleges, McGeorge School of Law of the University of the Pacific, California State University at Sacramento and the University of California at Davis.

Recreational facilities in southwestern Placer County include numerous neighborhood and regional parks. Most notable are Maidu Park in southeastern Roseville and Folsom Lake, which is located several miles east of Roseville in the Granite Bay community area of unincorporated Placer County. Folsom Lake is a major recreational resource area of the Sacramento metropolx.

In summary, southwestern Placer County has experienced a strong population growth trend in recent years and has outperformed the regional economy in general. Improved economic and market conditions, particularly in the area along the Interstate 80 and Highway 65 corridors, suggest that urban development in and around Roseville, Rocklin and Lincoln will continue. The immediate area is regarded as a desirable residential location, with good proximity to major transportation corridors, growing employment centers, and an expanding base of supporting commercial services.

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 property within the District is subject to change, the development plans outlined below may not be continued by the subsequent owner if the property is sold, however development by any subsequent owner will be subject to the District,

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.

The District is currently comprised of two assessor's parcels. The District encompasses approximately 180.7 gross acres of land of which approximately 88.7 acres are planned for subdivision into single-family residential lots and will be subject to the lien of the Special Tax securing the Bonds. The remaining approximate 92 acres of the District represent park, open space and other public uses which will not be subject to the Special Tax. There are no commercial uses approved or planned for land in the District.

Development within the District is planned to consist of 350 single family residential units. The homes are anticipated by the Developer to be consistent with adjacent residential developments underway in the North Roseville Specific Plan area which primarily consist of residential neighborhoods and supporting uses such as schools, parks, recreation and open space. Permitted land uses on the District property are primarily single-family detached residential. The District is surrounded on three sides by an open space corridor which includes an approximate 8.2 acre park site as shown below.

**Woodcreek East Community Facilities District No. 1
Land Use Summary by Acreage**

Small Lot Single Family Residential (350 lots)	88.66+ acres
Open Space Buffer (Lot A)	12.42+ acres
Open Space Buffer (Lot B)	0.37+ acres
Park Site (Lot C)	8.22+ acres
Open Space Buffer (Lot D)	67.60+ acres
Landscape Corridor (Lots L1, L2 and L3)	<u>3.42+ acres</u>
Total Gross Area	180.69+ acres

Source: The Developer.

The developable portion of the District property is zoned R-1/DS for low density single family residential development (0.50-6.90 dwelling units per acre). The site zoning incorporates a Development Standard ("DS") overlay zone which includes requirements for a minimum 100 foot setback from the northern property boundary line. This minimum setback is designed to provide an enhanced buffer between the project with its residential land uses and the existing and future industrial land uses on the property to the north, which uses include a natural gas powered peak generating facility owned and operated by the Northern California Power Agency ("NCPA"). The Improvements to be funded with Bond proceeds include sound attenuation measures designed to reduce noise impacts from the NCPA facility and other industrial land uses north of the project to a level below City standards.

Property within the District is the subject of a Development Agreement approved by the City in January 2000 creating full land-use entitlements for the planned uses. The Development Agreement entitlements permit a development proposal for the property to proceed through tentative map subdivision and model home use permit processes to final mapping and building permit issuance, provided the development application is in accord with the entitlements. See "Development Agreement" below. A tentative map has been submitted to the City for residential subdivision of the property in the District which would subdivide the 88.66+ acres of developable land within the District into seven large lot subdivisions containing a total of 350 small lots, all of which is entitled under the Development Agreement. The Developer anticipates approval of the tentative map by the City by the end of March 2001.

The District constitutes approximately 180.7 acres of the 1,786 acre NIPA area. The NIPA area is planned to be primarily developed to general- and light-industrial uses (1,470 acres), with a small portion planned for residential and commercial uses. Open space, parks, and railroad easement areas comprise approximately 150 acres, and commercial uses utilize another 66 acres. Residential uses within the NIPA account for approximately 95 acres. All of the designated residential acreage in the NIPA is within the "Woodcreek East" sub-area which constitutes land in the District plus approximately 7 acres outside of the District which contains a small residence.

The developable portion of the District, which constitutes approximately 88.7 acres, is zoned for low density single family residential development pursuant to a general plan amendment approved by the City in December 1999 and a rezoning ordinance approved in January 2000. Pursuant to the general plan amendment, rezoning, the Development Agreement, and the large lot and small lot subdivisions shown on the proposed tentative maps dated August 26, 2000 and submitted to the City Planning Department for review on September 1, 2000, the following table outlines the approved zoning for residential land uses within the District.

**Woodcreek East Community Facilities District No. 1
Residential Land Use Density**

Tentative Subd. Map <u>Lot No.</u>	Land Use <u>Designation⁽¹⁾</u>	Property <u>Type⁽²⁾</u>	Estimated <u>Acreage</u>	Proposed <u>Units</u>
1	LDR	Res. 8,200 SF Lots	10.5	42
2	LDR	Res. 8,200 SF Lots	13.9	62
3	LDR	Res. 8,500 SF Lots	12.2	53
4	LDR	Res. 8,500 SF Lots	22.2	90
5	LDR	Res. 9,800 SF Lots	25.3	89
6	LDR	Res. 8,500 SF Lots	3.0	10
7	LDR	Res. 9,800 SF Lots	<u>1.3</u>	<u>4</u>
TOTAL – Residential			88.4 ⁽³⁾	350

- (1) The LDR category designation is intended for attached or detached single family units, or similar or related compatible uses, with a density level ranging from 0.5 to 6.9 density units per acre.
- (2) The property type designation lists the approximate average lot size for the parcel.
- (3) Figure does not match 88.7 acres presented in land use plan due to rounding.

Source: *The Appraisal*

Housing products in the District are anticipated by the Developer to be constructed consistent with the character and composition of the residential developments under construction in the adjacent North Roseville Specific Plan area and in the City at large. The District is expected to include three different lot types, each sized to accommodate a different housing product. Large lot tentative map Parcel 1 (consisting of 42 lots on 10.5± acres) and Parcel 2 (consisting of 62 lots on 13.9± acres) are planned to have a minimum lot size of 60 feet by 110 feet or 6,600 square feet and an average lot size of 8,179 square feet. Parcel 3 (consisting of 53 lots on 12.2± acres), Parcel 4 (consisting of 90 lots on 22.2± acres), and Parcel 6 (consisting of 10 lots on 3.0± acres) are planned to have a minimum lot size of 65 feet by 110 feet or 7,150 square feet and an average lot size of 8,514 square feet. Parcel 5 (consisting of 89 lots on 25.3± acres) and Parcel 7 (consisting of 4 lots on 1.3± acres) are planned to have a minimum lot size of 70 feet by 110 feet or 7,700 square feet and an average lot size of 9,830 square feet. The lot configurations and perimeter open space are designed to accommodate

larger houses suited to the move-up market. House sizes are anticipated by the Developer to range from 2,500 to 4,200 square feet. The following table summarizes the lotting program for the developable portion of the District property:

**Woodcreek East Community Facilities District No. 1
Summary of Developer's Lotting Plan**

<u>Parcel Number</u>	<u>Parcel Acreage</u>	<u>Number of Lots</u>	<u>Density</u>	<u>Minimum Lot Size</u>
1	10.5±	42	4.00	6,600 sf
2	13.9±	62	4.46	6,600 sf
3	12.2±	53	4.34	7,150 sf
4	22.2±	90	4.05	7,150 sf
5	25.3±	89	3.51	7,700 sf
6	3.0±	10	3.33	7,150 sf
7	1.3±	4	3.08	7,700 sf

Source: The Developer

All typical urban utility services are available to be extended to the parcels, including electric power, natural gas, telephone, cable television, water, and sanitary and storm sewerage facilities.

As of October 2000, the property in the District is undeveloped. Construction of the Improvements to be financed with proceeds of the Bonds is expected to commence in May 2001 and the Developer projects that the Improvements will be substantially complete in eight months. Upon completion of the Improvements and City approval of the tentative map, the Developer intends to sell all of the property in the District to one or more homebuilder entities. See "THE IMPROVEMENTS" below.

The Woodcreek East Financing Plan

In connection with the formation of the District, the City caused to be prepared by Economic & Planning Systems, Inc., Sacramento, California (the "Special Tax Consultant") the Woodcreek East CFD No. 1 Financing Plan (the "CFD Financing Plan") dated October 10, 2000. The CFD Financing Plan describes the land use within the District, the public facilities to be funded and the method of allocating facility costs among the subdivided parcels to be created from the proposed tentative map. The CFD Financing Plan identifies the \$4,314,300 of infrastructure and related costs intended to be financed from Bond proceeds to construct infrastructure improvements within the District. See "THE IMPROVEMENTS." The Special Tax Formula provides for the funding of improvement costs to also be made from collections of the Special Tax available as the "pay-as-you-go" component of Special Taxes. Although the Developer does not currently intend to utilize the pay-as-you-go funding component, this mechanism could provide for funding of the cost of the Improvements in excess of the amount provided from Bond proceeds (if Bond proceeds are not sufficient) through annual Special Tax collections in excess of the amount needed to pay the debt service on the Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Special Tax Methodology" and " - Special Tax Fund." For a description of the Improvements, see "THE IMPROVEMENTS" below.

Development Agreement

The City and the Developer have entered into a project development agreement (the "Development Agreement") dated January 5, 2000 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 development of land within the District. The Development Agreement is a binding contract between the City and the Landowner 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 Landowner as such obligations relate to development of the property within the District, including the terms, conditions, rules, regulations, entitlements, vested rights and other provisions relating to the development of the property in the District.

The Development Agreement has a 20-year term and runs with the property; as such it is applicable to development of the property in the District by the Landowner or a successor to the Landowner. Upon conveyance of the property in the District by the Landowner to others (including the Developer) the obligations and vested entitlements of the Development Agreement will pass on to the new owner. The land use and development entitlements granted under the Development Agreement for property in the District is for the 350 homes contemplated by the Developer.

Affordable Units. Under the Development Agreement, 9 of the residential units to be constructed in the District are required to be made available to buyers as detached or attached single-family residential units affordable to persons in middle or low income households. The Special Tax Formula does not provide for a lower Special Tax to be applicable to any of the restricted units.

Environmental Matters

Flood Hazard Map Information. The Federal Emergency Management Agency ("FEMA") uses the flood zone designation of "AE" to define areas determined to be within a 100-year flood plain. Some open space parcels within the District may be in AE-designated areas, as shown in the Initial Study and Negative Declaration, Woodcreek East, prepared by Roseville Planning Department on October 29, 1999. According to the report, potential impacts associated with drainage and flooding are considered less than significant. The Developer anticipates that project grading and drainage improvements will remove all lot pads from flood hazards. The developable parcels have a flood zone designation of "X", defined as areas determined to be outside the 500-year flood plain as shown on Community Panel No. 06061C-0394F, Map Revised June 8, 1998, and Community Panel No. 06061C-0413F, Map Revised June 8, 1998.

Wetland Conditions. The Developer has implemented a wetlands preservation and mitigation program designed to achieve no-net-loss of wetlands, consistent with the City General Plan policies. The property in the District had a few small areas of designated vernal pools and seasonal wetlands; however, they have been removed and have been mitigated off-site.

Seismic Conditions. According to the Seismic Safety Commission of the State of California, the state is mapped into seismic hazard zones 3 and 4. Seismic hazard zones account for geographical variations in the expected levels of earthquake ground shaking and are based on the historical records of earthquakes and the location of known earthquake faults. The metropolitan area of Sacramento and most of the Central Valley are in seismic zone 3 and can expect lower levels of earthquake ground shaking. Local building codes take into account the likelihood of ground shaking and are intended to provide safety to the building occupants. In the event of an earthquake, buildings five stories or more would suffer the greatest in the location area. The properties in the District are generally at no greater risk from earthquakes than other properties within the Sacramento region.

THE IMPROVEMENTS

General

The Development Agreement sets forth the responsibility of the Developer for a portion of the costs of certain public improvements required for development within the District, which include the Improvements. The Improvements generally include a portion of certain roadway, water, sewer, storm drain and sound attenuation facilities required to be constructed by the Developer under the Development Agreement. Many of the Improvements are required to be completed for development in the District to proceed. Funding of the Improvements with Bond proceeds (and, if necessary, the pay-as-you-go mechanism) will satisfy the relevant obligations of the District for backbone infrastructure improvements required by the Development Agreement.

The CFD Financing Plan and the Resolution set forth as an exhibit the capital facilities, as well as authorized expenses, allowed to be funded from proceeds of the Bonds. The Developer plans to construct the Improvements, which will be acquired by the City upon completion. See "Funding and Construction of the Improvements" and "Acquisition by the City" below. The Improvements authorized under the Act are described as follows.

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

- 1) Woodcreek Oaks Boulevard construction; and
- (2) 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 include any and all water facilities designed to meet the needs of development within the District. 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 include any and all recycled water system facilities designed to meet the need 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 pressurization system and related recycled water system improvements.

Drainage System Improvements. Authorized facilities include any and all drainage and storm drain improvements designed to meet the needs of development within the CFD including, but not limited to, pipelines and appurtenances, temporary drainage facilities, detention/retention basins and drainage pretreatment facilities.

Wastewater System Improvements. Authorized facilities include any and all wastewater facilities designed to meet the needs of development within the District. 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 the District.

Open Space Improvements. Authorized facilities include any and all improvements to open space located within the District, 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 need 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 District as provided in the Woodcreek East Development Agreement.

Other Expenses. In addition to the above facilities, other incidental expenses as authorized by the Act, including, but not limited to, the cost of planning and designing the facilities (including the cost of environmental evaluation and environmental remediation); 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 District; 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 District; reimbursements to other areas for infrastructure facilities serving the project; and any other expenses incidental to the construction, completion and inspection of the facilities.

Funding and Construction of the Improvements

The following table shows the cost estimates for the Improvements prepared by the Developer's engineers, Mackay & Soms, Sacramento, California, pursuant to a process which began in May 2000. Based on preliminary estimates prepared by the project engineer, MacKay & Soms, the Developer expects that the cost of the Improvements will be approximately \$4,314,254. Amounts in the Improvement Fund from Bond proceeds will fund 100% of such estimated cost. Any shortfall of the actual cost of the Improvements will be funded by the Developer and may be reimbursed from funds derived from the pay-as-you-go component of the Special Tax Formula. In the event the Developer does not fund the shortfall amount, the City may utilize the pay-as-you-go component of the Special Tax Formula to levy a Special Tax each year to provide annual amounts which could be utilized to fund the shortfall.

**Woodcreek East Community Facilities District No. 1
List of Authorized Facilities and Estimated Cost**

<u>Description</u>	<u>Total Price</u>
Street Work & Concrete	\$473,875
Storm Drainage	231,850
Water System	7,700
Recycled Water System	62,200
Sewer Improvements	25,000
Electrical	545,400
Park Improvements	352,000
Bike Trail	235,000
Sound Attenuation	1,106,500
On Site Wetland Mitigation	25,000
Miscellaneous (landscaping, etc.)	137,000
Contribution to City-Wide Improvements	300,000
Engineering & Surveying	250,000
Contingency	<u>562,729</u>
Total Estimated Improvement Costs	<u>\$4,314,254</u>

Source: MacKay & Somps Civil Engineers, Inc.

Acquisition by the City

The Developer has entered into a Funding, Construction and Acquisition Agreement (the "Acquisition Agreement") which provides that the Developer will construct (or cause to be constructed or funded) the Improvements and the City, upon completion of construction and acceptance by the City, will purchase such Improvements. Proceeds of the Bonds will be used to pay the purchase price of the Improvements and authorized incidental costs thereof and, as well as the contribution to City-wide improvements (\$300,000) for improvements outside of the District.

Amounts in the Improvement Fund deposited from Bond proceeds will fund 100% of the estimated costs. In the event that amounts in the Improvement Fund (and interest earnings thereon) are insufficient to acquire all of the Improvements, the portion of the cost of construction of the Improvements which will not be provided from Bond proceeds will be the responsibility of the Developer and may be reimbursed from funds derived from the pay-as-you-go component of the Special Tax Formula. In the event the Developer does not fund the shortfall amount, the City may utilize the pay-as-you-go component of the Special Tax Formula to levy a Special Tax each year to provide annual amounts which could be utilized to fund the shortfall.

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 single owner or any subsequent owners, including the Developer, have the ability to pay the Special Taxes or that, even if they have the ability, they will choose to pay such taxes. An owner may elect to not pay the Special Taxes when due and cannot be legally compelled to do so. Neither the City nor any Bondowner will have the ability at any time to seek payment directly from the owners of property within the District of the Special Tax or the

principal or interest on the Bonds, or the ability to control who becomes a subsequent owner of any property within the District.

All of the property in the District is currently owned by a single entity. The Landowner and the Developer have provided the information set forth under the heading "OWNERSHIP OF PROPERTY WITHIN THE DISTRICT" below. No assurance can be given that all information is complete. 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 Landowner or of the Developer or of any subsequent landowners; the Bonds are secured only by the Special Taxes and moneys available under the Fiscal Agent Agreement. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" and "SPECIAL RISK FACTORS" herein.

The Developer

Property in the District is currently owned by the Landowner, Richland Meadowland Ltd., a Texas limited partnership, which entity intends to sell the property to the Developer, its affiliate, Highland Reserve North Limited Partnership. The Developer is a Delaware limited partnership and will be the master developer of the property. The Developer is part of the Jack Bray Real Estate Development Group owned by Jack H. Bray, an individual. The Developer also is the developer of the Highland Reserve North Specific Plan area, a 615-acre, mixed-use, master-planned development located approximately two miles to the east of the District. The Developer will acquire and develop the Woodcreek East property pursuant to an option agreement with the Landowner.

Jack Bray has been active in real estate investment and development in California, Texas, Florida, and Canada for over 25 years through a number of different development entities including, in particular, Richland Properties, Inc., based in Tampa, Florida and Richland Communities, Inc., based in Santa Ana, California. The Developer is headquartered in Roseville and serves as Mr. Bray's principal Northern California development entity. Mr. Bray has developed over one million square feet of office and industrial buildings, as well as anchored retail shopping centers and master-planned residential communities.

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

In 1994, Mr. Bray began to focus on the California market and began developing numerous projects in Southern California, including projects located in Thousand Oaks, Westlake Village, Chino Hills, Temecula, Murietta and San Diego County. These Southern California projects include Pinehurst in Chino Hills totaling 700 single-family lots, of which 300 have been developed and sold to builders, 100 are in development and 300 lots remain to be developed. The expansion to Northern California includes the property in the District as well as substantial holdings in the Highland Reserve North Specific Plan area, the North Central Roseville Specific Plan area, and the Northeast Roseville Specific Plan area.

Richland Irvine, Inc., an affiliate of the Developer owns approximately 322 acres of undeveloped property in the North Central Roseville Specific Plan area in the City. This holding includes approximately 260 acres of property planned for commercial use and approximately 39 planned for residential use. Significant portions of the original holdings have

been sold to developers. This property is located in the vicinity of the recently completed Galleria mall and is adjacent to Highway 65, across the highway from other holdings of the Developer in the Highland Reserve North Specific Plan area. Some of the property originally acquired by Richland Irvine, Inc. has been sold for development and Richland Irvine, Inc. plans to sell its remaining holdings to developers. The property in the North Central Roseville Specific Plan area is subject to a special tax of the North Central Roseville Community Facilities District No. 1 formed with respect to development of property in that area. Richland Irvine, Inc. presently serves as the master developer of property in the North Central Roseville Specific Plan area under an Acquisition Agreement with the City and, in this capacity, has recently completed over \$5,000,000 in infrastructure improvements financed by the community facilities district.

In 1996-97, the Developer and Oakville Reserve, Ltd., an affiliate of the Developer, acquired the 615-acre portion of the North Central Roseville Specific Plan area designated as an Urban Reserve area, which was subsequently entitled for development under the Highland Reserve North Specific Plan. The Developer is currently serving as the master developer of the Highland Reserve North Specific Plan area pursuant to a Funding, Construction and Acquisition Agreement with the City. Highland Reserve North Specific Plan ("HRNSP") features a mix of traditional residential neighborhoods, parks, open space, schools, commercial and employment related uses. The residential component of the HRNSP is located on 294 acres. It includes 1,025 low-density residential lots, 95 medium-density residential units and 650 high-density residential units for a total of 1,770 units. The centerpiece of the HRNSP is planned to be the 44-acre Village Square that is expected to serve as the traditional "Town Center". It is planned to feature a 9.85-acre elementary school site, 20.35-acre Community Park, and 13.93-acre neighborhood shopping center site. A proposed tree-lined Grand Promenade links these land use elements. Special features of the Village Square are expected by the Developer to include the Village Court, Central Park Plaza, Amphitheater, Picnic Grove, School Plaza, playing fields and sports courts. The HRNSP also includes 162.43 acres of Community Commercial zoned land along Highway 65 and Fairway Drive and 40.13 acres of Open Space. In addition to the Village Square, the community is expected to have three neighborhood parks totaling 9.64 acres within the surrounding residential neighborhoods. In its capacity as master developer, the Developer is currently in the process of constructing the major roadway, sewer, water, storm drain, electrical, and other infrastructure necessary to serve the project. These improvements are financed by bond proceeds from the Highland Reserve North Community Facilities District No. 1. Recent sales of property within the Highland Reserve North Specific Plan area include the sale of 53 acres to Centex Homes (a single-family homebuilder), 89 acres to Lennar Renaissance, Inc. (a single-family home builder), 14 acres to Home Depot, 16 acres to Lowe's, and 12 acres to Winco Foods.

The customers of the Developer and other Bray entities include many of the national and regional residential builders including Centex, U.S. Homes, Pulte Homes, Kaufman and Broad, Forecast Homes, Western Pacific Homes, Lennar Renaissance, Fairfield and Spanos as well as commercial users and developers such as Home Depot, Lowe's, Wal-Mart, Albertsons, Winco Foods, World Com and Trammel Crow.

Sale of Property Within the District

The Developer is not a builder and intends to sell all of the land within the District to one or more homebuilding entities. The Developer will manage the construction of the Improvements. Once the Improvements are under construction and tentative map approval is received from the City, the residential parcels will be marketed for sale to one or more merchant builders, with closings to occur upon approval of the tentative map and completion of the Improvements. It is anticipated that all of the property will be sold in approximately 12 months, beginning in January 2001. The parcels will only be sold at the tentative map approval

stage. In-tract improvements and construction of homes will need to be completed by the buyers.

No assurance can be given that any sales of property will actually occur and no assurance can be given that an owner of any parcel in the District will be the developer of its property in the District or will develop its property in accordance with a finally approved Woodcreek East Tentative Subdivision Map. The Developer contemplates tentative map approval from the City by the end of March 2001.

Developer's Financing Plan

The Improvements are estimated to cost approximately \$4,314,254. These Improvement costs are planned to be 100% financed with Bond proceeds. Improvement costs in excess of available Bond proceeds will be funded by the Developer in accordance with the provisions of the Acquisition Agreement, which includes terms pursuant to which such excess costs may be reimbursed out of Special Tax proceeds on an annual basis after payment of debt service on the Bonds.

The Developer funds its land acquisition and development activities, including those within the District, with cash on hand and from revolving lines of credit it has established with various banks. Certain of these banks include U.S. Bank, Bank Midwest and AmSouth Bank. Accordingly, the property in the District is and will be subject to a deed of trust securing a \$3,325,000 loan made by U.S. Bank. The Landowner acquired the property in the District in 1998 and estimates that it currently has approximately \$12,425,000 equity in the property. The Landowner currently anticipates the loan will be paid off upon sale of the property in the District.

The Improvements are anticipated by the Developer to be constructed in a single phase of approximately eight months. The Developer intends to process the tentative map submitted in September 2000, which provides for seven large lot residential parcels containing a total of 350 single family residential lots and anticipates tentative map approval by the end of March 2001. The Developer anticipates marketing the single family residential lots to production homebuilders with approved tentative small lot maps and with all major off-site infrastructure in place.

Acquisition and holding cost cash flow needs are provided by equity and borrowing facilities from Bank Midwest and US Bank. Each of these loans is secured by the property in the District and contains lien release provisions upon sale of parcels. See "The Developer" above.

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

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

**Woodcreek East – 350 Units
Developer's Projected Land Sale Proforma⁽¹⁾**

	<u>2000</u>	<u>2001</u>	<u>Total</u>
Lot Sales			
Number of Lots	0	350	350
Estimated Amount	\$ 0	\$15,750,000	\$15,750,000
Development and Holding Expenses			
Marketing	0	787,500	787,500
Taxes	100,000	100,000	200,000
General and Administration	100,000	100,000	200,000
Bond Debt Service	0	0	0
Total Expenses	200,000	987,500	1,187,500
Net Cash Flow	(200,000)	14,762,500	14,562,000

¹⁾ Assumes all infrastructure improvements needed for sales is funded through the District.

Source: The Developer.

APPRAISAL OF PROPERTY WITHIN THE DISTRICT

The Appraisal

The City ordered preparation of an appraisal report dated September 29, 2000 (the "Appraisal"), of the estimated value as of September 2000 of the taxable land within the District. The Appraisal was prepared by Bender Rosenthal, Sacramento, California (the "Appraiser"). 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 Appraisal reports the estimate of the bulk sale "free and clear" value of the taxable property within the District, as well as the bulk sale value subject to the lien of the Special Tax. Such valuations are based upon a bulk valuation of the property assuming a sale of all the property in the District to a single entity and also assuming that the Improvements to be financed with proceeds of the Bonds are complete and operational. Such a bulk valuation is sometimes also referred to as a "discounted" bulk sale value since it is assumed that such a sale to a single buyer results in a discount from the price that might be realized from multiple sales to various buyers. As a component of the valuation analysis of the District, the City required the Appraiser to develop a market absorption study to support the valuation determinations. The absorption study is included in Chapter IV of the Appraisal. The discounting models developed in the valuation analysis incorporate a site-specific residential use market absorption study by the Appraiser with the estimates of market (retail) value for each of the undeveloped parcels. The absorption data projected a two year absorption period for the 350 residential lots. See "APPENDIX B – THE APPRAISAL."

The Appraiser's bulk sale valuation assumes the Improvements to be financed with proceeds of the Bonds are complete and operational. The Appraisal does not assume completion of the in-tract improvements required for development of homes in the District. The appraised valuation excludes the value of all portions of the property in the District designated for public and quasi public purposes in the District. The bulk sale values, both free and clear

and subject to the Special Tax lien, of the taxable property in the District as shown in the Appraisal as of September 2000 are as follows:

Discounted bulk sale free and clear value:	\$18,150,000
Discounted bulk sale value subject to the lien:	\$14,350,000

Both value estimates by the Appraiser assume that the Improvements to be financed with proceeds of the Bonds are completed. Both value estimates are as of September 2000 using the methodologies described in the Appraisal and subject to the limiting conditions and special assumptions set forth in the Appraisal.

Assumptions and Limiting Conditions. In considering the estimate of value evidenced by the Appraisal, it should be noted that the Appraisal is based upon a number of standard and special assumptions which affect the estimates as to value. Because the Appraisal sets forth the Appraiser's opinion as to value only as of the date of such Appraisal, it does not reflect any changes to value that might have occurred since that date or which may occur in the future.

The Appraiser has also assumed that there is no hazardous material on or in the property that would cause a loss in value. Should future conditions and events could reduce the level of permitted development or delay the completion of any projected development, the value of the undeveloped land would likely be reduced from that estimated by the Appraiser. See "SPECIAL RISK FACTORS—Future Land Use Regulations and Growth Control Initiatives" and "—Hazardous Substances" below. See "APPENDIX B — THE APPRAISAL" hereto for a description of 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.

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 "Priority of Lien" below.

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

The complete Appraisal is on file with the City and is available for public inspection at the City offices at 316 Vernon Street, Roseville California 95678 or during the initial marketing period from Stone & Youngberg LLC, 50 California Street, San Francisco, California 94111. The conclusions reached in the Appraisal are subject to certain assumptions and qualifications which are set forth in the Appraisal.

Value to Special Tax Burden Ratios

The Appraisal sets forth the estimated discounted bulk sale free and clear value of all taxable property within the District to be \$18,150,000 and the estimated discounted bulk sale value subject to the Special Tax lien to be \$14,350,000, subject to the limiting conditions stated therein. (See "The Appraisal" above and Exhibit B hereto.) The principal amount of Bonds is \$5,465,000. Consequently, the estimated discounted bulk sale free and clear value of the real property in the District is 3.32 times the principal amount of the Bonds and the estimated discounted bulk sale value, subject to the Special Tax lien, of the real property within the District, is approximately 2.62 times the principal amount of the Bonds. Some of the property in the District is subject to overlapping tax and assessment liens of approximately \$31,424. See "Priority of Lien - Overlapping Debt" and the table shown below under the caption "Priority of Lien - Overlapping Debt."

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

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

Priority of Lien

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

Other than as described herein, the property is not subject to any other special tax or assessment liens (other than standard property taxes and the lien of the Special Tax).

Property in the District is expected to in the future be subject to the special tax of an additional community facilities district expected to be known as the Woodcreek East Community Facilities District No. 2 Services District. This district is expected to encompass the same boundaries as the District and to be formed prior to the sale of homes in the District for the principal purpose of maintaining on and off-site wetland preserves as well as certain portions of the landscaping located within the roadway corridors. This district will not be

authorized to issue bonds. The special tax levy of such district, the proceeds of which will be used to fund annual maintenance expenses of the landscaping, is on a parity to the lien securing the Special Tax. The maximum annual special tax for this community facilities district is expected not to exceed \$350 per single-family residential parcel.

There can be no assurance that the property owners within the District will not petition for the formation of other community facilities districts and improvement areas or for a special assessment district or districts and that parity special taxes or special assessments will not be levied by the County or some other public agency to finance additional public facilities, 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 a property owner, may be placed upon property in the District at any time. Under California law, the Special Taxes have priority over all existing and future private liens imposed on property subject to the lien of the Special Taxes.

Overlapping Debt

The following table shows direct and overlapping debt affecting property in the District.

Woodcreek East Community Facilities District No. 1 Overlapping Debt Table

2000-01 Assessed Valuation: \$4,284,000

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable (1)</u>	<u>Debt 10/1/00</u>
Placer County Water Agency, Zone No. 1	0.005%	\$ 60
Roseville Joint Union High School District	0.046	16,003
Roseville City School District	0.094	15,361
City of Roseville Woodcreek East Community Facilities District No. 1	100.	- (2)
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$31,424
 <u>OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>		
Placer County General Fund Obligations	0.020%	\$ 5,474
Sierra Joint Community College District Certificates of Participation	0.014	767
Roseville Joint Union High School District Certificates of Participation	0.047	1,090
Roseville City School District Certificates of Participation	0.097	21,825
City of Roseville Certificates of Participation	0.064	18,304
TOTAL OVERLAPPING GENERAL FUND OBLIGATION DEBT		\$47,460
 COMBINED TOTAL DEBT		 \$78,884 (3)

(1) Based on 1999-00 ratios.

(2) Excludes issue to be sold.

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

Ratios to 2000-01 Assessed Valuation:

Direct Debt.....	-	%
Total Direct and Overlapping Tax and Assessment Debt.....	0.73%	
Combined Total Debt.....	1.84%	

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/00: \$0

Source: California Municipal Statistics, Inc.

SPECIAL RISK FACTORS

Failure to Develop Properties

There can be no assurance that land development operations within the District will not be adversely affected by a deterioration of the real estate market and economic conditions or the adoption of local, State and federal governmental policies relating to real estate development, the income tax treatment of real property ownership, or the national economy. A slowdown of the development process could adversely affect land values and reduce the ability or desire of the property owners to pay the annual Special Taxes. In that event, there could be a default in the payment of the Bonds.

Concentration of Ownership

All of the land within the District is currently owned by a single entity. This owner contemplates selling all of its property in the District to the Developer which contemplates constructing the Improvements and selling the property with approved tentative maps to homebuilders. Accordingly there is expected to be subsequent transfers of ownership of property within the District. The fact that all of the land within the District is currently controlled by a single owner causes the responsibility for the payment of the annual Special Taxes to be apportioned only to such owner. Because of such concentration of ownership of District land, the timely payment of the Bonds depends upon the willingness and ability of the owner to pay the Special Taxes when due. The only asset of the owner of property within the District which constitutes security for the Bonds is such owner's real property holdings located within the District. Each parcel may only be foreclosed against for delinquent Special Taxes levied against such parcel. The District is currently comprised of two Assessor's Parcels. A tentative map subdividing the property into 350 residential parcels which will be subject to the Special Tax is expected by the Developer to be approved by the end of March 2001. Also see "Bankruptcy" below.

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 1" environmental report was prepared for the property in the District in

connection with the establishment of the District which did not indicate the presence of any hazardous substance on a random sampling of parcels within the District.

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

Land Values

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.

Bankruptcy and Foreclosure

The payment of property owner's taxes and the ability of the District to foreclose the lien of delinquent unpaid Special Taxes may be limited by bankruptcy, insolvency, or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Delinquent Payments of Special Tax; Covenant for Superior Court Foreclosure," herein.

The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel's approving legal opinion) will be qualified, as to the enforceability of the various legal instruments, by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

Although bankruptcy proceedings would not cause the Special Taxes to become extinguished, bankruptcy of a property owner could result in a delay in prosecuting superior court foreclosure proceedings. Such delay would increase the likelihood of a default in payment of the interest on the Bonds and the possibility of delinquent Special Tax installments not being paid in full.

On July 30, 1992, the United States Court of Appeals for the Ninth Circuit issued its opinion in a bankruptcy case entitled *In re Glasply Marine Industries*. In that case, the court held that *ad valorem* property taxes levied by Snohomish County in the State of Washington after the date that the property owner filed a petition for bankruptcy were not entitled to priority over a secured creditor with a prior lien on the property. Although the court upheld the priority of unpaid taxes imposed before the bankruptcy petition, unpaid taxes imposed after the filing of the bankruptcy petition were declared to be "administrative expenses" of the bankruptcy estate, payable after all secured creditors. As a result, the secured creditor was able to foreclose on the property and retain all the proceeds of the sale except the amount of the pre-petition taxes.

According to the court's ruling, as administrative expenses, post-petition taxes would have to be paid, assuming that debtor had sufficient assets to do so. In certain circumstances, payment of such administrative expenses may be allowed to be deferred. Once the property is

transferred out of the bankruptcy estate (through foreclosure or otherwise) it would at that time become subject to current *ad valorem* taxes.

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

Other Public and Private Debt

The City, the County and certain other public agencies are authorized by the Act to form other community facilities districts and improvement areas and, under other provisions of State law, to form special assessment districts, either or both of which could include all or a portion of the land within the District. Some of the property in the District is subject to overlapping tax and assessment liens of approximately \$31,424. See "Priority of Lien - Overlapping Debt." Other than as described herein, the property is not currently subject to any other special tax or assessment liens (other than standard property taxes and the lien of the Special Tax).

Property in the District is also expected to in the future be subject to the special tax of an additional community facilities district to be established by the City for the purpose of maintaining wetland preserves as well as landscaping within the District.

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

Parity Taxes and Special Assessments

The Special Taxes and any penalties thereon will constitute a lien against the lots and parcels of land on which they will be annually imposed until they are paid. Such lien is on a parity with all special taxes and special assessments and is co-equal to and independent of the lien for general property taxes upon the same property regardless of when they are imposed. The Special Taxes have priority over all existing and future private liens imposed on the property.

Insufficiency of Special Taxes

The Act provides that, if any property within the District not otherwise exempt from the Special Tax is acquired by a public entity through a negotiated transaction, or by gift or device, the Special Tax will continue to be levied on and enforceable against the public entity that acquired the property. In addition, the Act provides that, if property subject to the Special Tax is acquired by a public entity through eminent domain proceedings, the Special Tax with respect to that property, to the extent necessary to cover outstanding debt, is to be treated as if it were a special assessment and be paid from the eminent domain award. The constitutionality and operation of these provisions of the Act have not been tested in the courts. If the federal government or another non-taxable entity successfully takes the position that property owned

by it or in which it has a security interest and subject to the Special Tax becomes exempt from taxation, the Special Tax will be reallocated to the remaining taxable properties within the District, subject to the limitation of the Maximum Special Tax authorized to be levied on each parcel. This could result in the owners of such property paying a greater amount of the Special Tax and could have an adverse impact upon the timely payment of the Special Tax.

Tax Delinquencies

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

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

No General Obligation of the City

The Bonds are not general obligations of the City but are limited obligations of the City and the District payable solely from the proceeds of the Special Tax and certain funds held under the Fiscal Agent Agreement, including amounts deposited in the Reserve Fund and investment income thereon, and the proceeds, if any, from the sale of property in the event of a foreclosure. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS." Any tax for the payment of the Bonds will be limited to the Special Tax to be collected within the jurisdiction of the District.

Ballot Initiatives

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

Proposition 218

On November 5, 1996, the voters of the State approved Proposition 218, the so-called "Right to Vote on Taxes Act." Proposition 218 added Articles XIII C and XIII D 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 XIII C removes limitations on the initiative power in matters of local taxes, assessments, fees and charges. Article XIII C does not define the term "local taxes" and it is unclear whether this term is intended to include special taxes levied under the Act. In the case of the unpaid Special Taxes which are pledged as security for payment of the Bonds, the laws of the State provide a mandatory, statutory duty of the City and the County Auditor to post installments on account of the unpaid Special Taxes to the property tax roll of the County each

year while any of the Bonds are outstanding, in amounts equal to the principal of and interest on the Bonds coming due in the succeeding calendar year.

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

CONSTITUTIONAL LIMITATIONS ON TAXATION AND APPROPRIATIONS

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

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

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

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

CONTINUING DISCLOSURE

The City has covenanted for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the District by not later than the next January 15th after the end of the City's fiscal year (presently June 30) in each year commencing with its report for the 1999-2000 fiscal year (the "City Annual Report") and to provide notices of the occurrence of certain enumerated events. Highland Reserve North Limited Partnership (the "Developer"), as the anticipated owner and developer of the property within the District, has also covenanted for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the District by not later than April 1 of each year (reflecting reported information as of December 31st of the prior year) beginning with the report due April 1, 2001 (the "Developer Annual Report") and to provide notices of the occurrence of certain enumerated events. The Developer's obligation to provide such information is in effect only so long as the Developer, or the Developer's successors, are responsible for a certain percentage of the Special Taxes, as described in the Developer Annual Report. The City Annual Report and the Developer Annual Report will be filed with each Nationally Recognized Municipal Securities Information Repository. The notices of material events will be filed with the Municipal Securities Rulemaking Board. These covenants have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5). The specific nature of the information to be contained in the Annual Report or the notices of material events by the City and the Developer is summarized in "APPENDIX F — FORM OF CONTINUING DISCLOSURE UNDERTAKINGS." The City did not file in a timely manner annual reports as required by undertakings under the Rule in connection with certain previous financings by the City. The City has since filed all information required by such undertakings and has established a new procedure to provide for the timely filing of all information required by such undertakings and the City Annual Report under the Rule.

UNDERWRITING

The Bonds were purchased through negotiation by Stone & Youngberg LLC (the "Underwriter"). The Underwriter agreed to purchase the Bonds at a price of \$5,370,182.25 (which is equal to the par amount of the Bonds, less the Underwriter's discount of \$94,817.75). The initial public offering prices set forth on the cover page hereof may be changed by the Underwriter. The Underwriter may offer and sell the Bonds to certain dealers and others at a price lower than the public offering prices set forth on the cover page hereof.

FINANCIAL ADVISOR

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

LEGAL OPINION

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Jones Hall, A Professional Law Corporation, Bond Counsel. A complete copy of the proposed form of Bond Counsel opinion is contained in Appendix E to this Official Statement,

and the final opinion will be made available to registered owners of the Bonds at the time of delivery. A portion (less than one-sixth) of the fees payable to Bond Counsel are contingent upon the sale and delivery of the Bonds.

TAX MATTERS

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

The opinions set forth in the preceding paragraph are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986 (the "Code") that must be satisfied subsequent to the issuance of the Bonds in order that such interest 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 such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds.

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

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

RATINGS

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

NO LITIGATION

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

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 Cochran Branson
Finance Director

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APPENDIX A
RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

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CITY OF ROSEVILLE
Woodcreek East
COMMUNITY FACILITIES DISTRICT NO. 1

RATE AND METHOD OF APPORTIONMENT SPECIAL TAX

1. BASIS OF SPECIAL TAX LEVY

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

2. DEFINITIONS

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

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

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

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

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

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

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

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

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

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

"City" means the City of Roseville, California.

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

"County" means the County of Placer, California.

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

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

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

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

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

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

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

"Maximum Special Tax" means the greatest amount of Special Tax that can be levied against a Taxable Parcel in any Fiscal Year. Each time a Taxable Parcel is subdivided, the Maximum Special Tax will be reassigned to the Successor Parcels. The Maximum Special Tax at the formation of the CFD is shown in **Attachment 1**.

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

"Original Parcel" means the large-lot parcel as it existed at the time of the adoption of the Resolution of Formation by the Council, as shown on **Map 1**.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"Tax-Exempt Parcel" means a Parcel not subject to the Special Tax. Tax-Exempt Parcels include: (1) Public Parcels identified at the formation of the CFD or created by Subdivision of an Original or Successor Parcel where all of the taxes from the previous Original or Successor Parcel(s) have been assigned to the Taxable parcels, and (2) any Parcel that has prepaid its Special Taxes under Section 7 hereof. A Taxable Parcel acquired by a public agency after formation of the CFD will not be classified as a Tax-Exempt Parcel.

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

"Woodcreek East" means the Woodcreek East development of the North Industrial Plan Area (NIPA) as shown in **Map 1**.

3. DETERMINATION OF PARCELS SUBJECT TO SPECIAL TAX

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

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

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

4. TERMINATION OF THE SPECIAL TAX

The Special Tax will be levied for as long as is needed to pay the principal and interest on debt incurred in order to construct the authorized facilities and to pay the Annual Costs. However, in no event shall the Special Tax be levied after Fiscal Year 2035-2036.

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

5. ASSIGNMENT OF MAXIMUM SPECIAL TAXES

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

1. Each Parcel to be classified as a Tax-Exempt Parcel or a Taxable Parcel;
2. Each Taxable Parcel to be classified as an Original Parcel, a Successor Parcel, or a Partial Prepayment Parcel.

The assignment of the Maximum Special Tax to Taxable Parcels is as follows:

- a) Partial Prepayment Parcels — the Maximum Special Tax for all Partial Prepayment Parcels is assigned by multiplying the Maximum Special Tax from **Attachment 1**, or as otherwise calculated for a Successor Parcel, by the Partial Prepayment Factor for that Parcel.
- b) Original Parcel - the Maximum Special Tax for each Original Parcel is as shown on **Attachment 1**.
- c) Successor Parcel - the Maximum Special Tax for each Successor Parcel is determined as follows:
 - (i) If the Successor Parcel is the result of a single-family residential or individually-owned residential condominium Parcel Subdivision, divide the Maximum Special Tax assigned to the Original Parcel or Successor Parcel, as calculated under (c) above or (d) (ii) below, by the number of single-family residential Parcels or residential condominium units. The result of this calculation is the Maximum Special Tax for each single-family residential or residential condominium Successor Parcel within the Subdivision.
- d) Residential Unit/Maximum Special Tax Transfer - the Maximum Special Tax assigned to a residential Parcel under (a), (b), or (c) above, may be adjusted to reflect a change in the number of original residential units (as shown in **Attachment 1**) resulting from a transfer of units from one Taxable Parcel to another Taxable Parcel in the following manner:
 - (i) Calculate the existing Maximum Special Tax per unit by dividing the Maximum Special Tax for the Parcel by the number of units assigned to that Parcel;
 - (ii) Calculate the total Maximum Special Tax being transferred by multiplying the number of units being transferred by the calculation in (i) above. Add the total Maximum Special Tax and number units being transferred to the Parcel(s) receiving the transferred units and Maximum Special Tax.

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

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

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

6. SETTING THE ANNUAL SPECIAL TAX LEVY

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

- 1) Compute the Annual Costs using the definitions in Section 2.
- 2) Calculate the Special Tax for each Parcel as follows:

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

- Step 2: Compare the Annual Costs with the Maximum Special Tax revenue calculated in the previous step.
- Step 3: If the Annual Costs are less than the Maximum Special Tax revenue, decrease proportionately the Special Tax levy for each Taxable Parcel until the Special Tax revenue equals the Annual Cost.
- 3) Prepare the Tax Collection Schedule for each Parcel and send it to the County Auditor requesting that it be placed on the general, secured property tax roll for the following Fiscal Year. The Tax Collection Schedule shall not be sent later than the date required by the Auditor for such inclusion.

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

As development and subdivision of Woodcreek East takes place, the Finance Director will maintain a file of each current assessor's parcel number within the CFD and the authorized Maximum Special Tax on all such Parcels available for public inspection. This record shall show the Maximum Special Tax on all Original and Successor Parcels and a brief description of the process of assigning the Maximum Special Tax each time a Successor Parcel was created. The record will also indicate whether a Parcel is a Prepayment Parcel or a Partial Prepayment Parcel. Any taxpayer who feels that the amount of the Special Tax assigned to a Parcel is in error may file a notice with the Finance Director appealing the levy of the Special Tax.

7. PREPAYMENT OF SPECIAL TAX OBLIGATION

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

- Prepayments must be made by May 1 in order to have the Prepayment reflected in the following Fiscal Year's Special Tax Levy.
- The Parcel is a whole Original Parcel greater than one acre, a Successor Parcel greater than ten acres, or a group of contiguous Successor Parcels, greater than or equal to ten gross acres, with a common owner. However, if an Original Parcel or a Successor Parcel larger than ten acres is subdivided by a final Large-Lot Subdivision Map and a Successor Parcel less than ten acres results, the smaller Successor Parcel(s) will be allowed to take advantage of the same Prepayment provisions offered to the Parcel from which it was created.
- The City determines that the Prepayment of the Special Tax obligation does not jeopardize its ability to make timely payments of debt service on Outstanding Bonds.

- Any landowner prepaying the Special Tax obligation must pay any and all delinquent Special Taxes and penalties for the prepaying Parcel.
- Prior to the calculation of the prepayment amount, the landowner must notify the City whether such landowner intends to execute a full Prepayment or Partial Prepayment. If the landowner intends to execute a Partial Prepayment, the landowner shall further notify the City of the dollar amount of the intended Prepayment. In no event shall a Partial Prepayment be for less than twenty-five percent (25%) of the full Prepayment amount.

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

Part A: Prepayment of Outstanding Bond Share

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

Part B: Remaining Facility Cost Share

- Step B.1: Determine the Total Facility Cost Share for the Parcel by multiplying the Benefit Share from Part A, Step A.2 above by the Anticipated Facility Costs.
- Step B.2: Determine the share of facilities funded by bonds already issued by the CFD for the Parcel by multiplying the Benefit Share by the construction proceeds made available from all such bonds issued by the CFD. These amounts shall be

adjusted to the year of Prepayment by using the Engineering News Record Construction Cost Index.

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

Part C: Partial Prepayments

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

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

Part D: Transfers

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

- Step D1: For a Full Prepayment transfer the amount of the Reserve Fund Share.

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

8. ADMINISTRATIVE CHANGES AND APPEALS

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

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

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

9. MANNER OF COLLECTION

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

**Attachment 1
Woodcreek East CFD No. 1
Maximum Special Taxes**

Original Parcel	Land Use	Residential Units	Annual Maximum Special Tax
[1] 017-114-060	LDR	[2] 350	\$584,335
017-114-061	N/A	0	\$0

[1] Represents all Taxable Parcels at the time of CFD Formation.

[2] Represents entitlement under project Development Agreement.

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APPENDIX B
THE APPRAISAL

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BENDER  **ROSENTHAL**
COMMERCIAL VALUATION AND RIGHT OF WAY SERVICES

September 29, 2000

City of Roseville
316 Vernon Street
Roseville, California 95678


Re: Appraisal Report of
Land Holdings Within
Woodcreek East Community Facilities District No. 1
Roseville, California

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

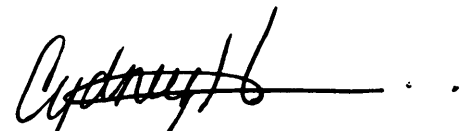
We have made every effort to prepare this self-contained appraisal report of our complete appraisal in conformance with and subject to the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute, which fully incorporate the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation¹. Please refer to the Extraordinary and General Assumptions and Limiting Conditions contained in the report.

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

BENDER ROSENTHAL



Stephen A. Rosenthal, MAI


Cydney G. Bender, MAI

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

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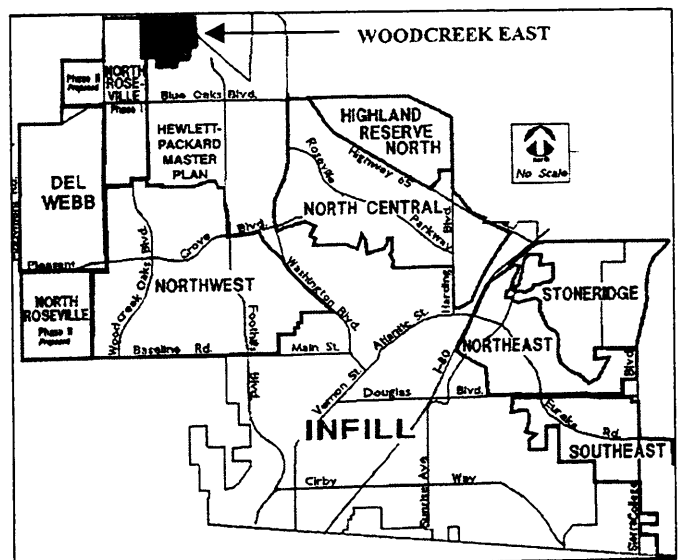
EXECUTIVE SUMMARY

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

The CFD encompasses 180.7 gross acres of land located within the northwest quadrant of Roseville's North Industrial Planning Area (NIPA). The proposed CFD boundaries overlay the majority of the boundaries of the NIPA's "Woodcreek East" sub-area, located on the east side of Woodcreek Oaks Boulevard, adjacent to the city's northern boundary, approximately ½ mile north of Blue Oaks Boulevard. An approximately 7.3 acre parcel containing an existing small single-family residence located in the extreme southeast portion of the Woodcreek East sub-area is *not* included within the CFD boundaries. The CFD is situated approximately 5 miles northwest of downtown Roseville and is accessed by the aforementioned Woodcreek Oaks Boulevard. The CFD area is generally bound by Woodcreek Oaks Boulevard on the west (across the street from the North Roseville Specific Plan's Diamond Creek neighborhood), the Roseville/Placer County line on the north, and predominately vacant light-industrial zoned land on the east and on the south. The property is generally a quadrangle in shape and has level to gently undulating topography; high-tension power lines traverse the northern border. The southern portion of the subject property open space area is bisected in an east-west manner by Pleasant Grove Creek. No buildable areas within the CFD are within flood plain areas.

The subject property is adjacent and south of the southern boundary of the 8,900-acre Sunset Industrial Area, an unincorporated portion of Placer County that has been developing slowly over at least the last 15 years. To the northeast of the subject property's northern border is the Northern California Power Agency's twin-turbine power generating facility. Some bond proceeds will be used to mitigate the occasional sound transmission from the turbines, thereby protecting the northeasterly portion of the CFD.

The remaining county land along the northern border is undeveloped. Those lands to the east of the subject property are mostly zoned light industrial, and are undeveloped adjacent to Woodcreek East, but farther east is the almost fully developed Foothills Business Park. The subject property is bordered on the south by unimproved light industrial land that is proposed for future development as the Roseville Technology Park. An existing



***Woodcreek East Community Facilities District No. 1 Properties
Roseville, California***

electric substation is also located immediately to the south of the subject property. To the west of the subject property is Woodcreek Oaks Boulevard and the Diamond Creek residential development.

The CFD was formed for the purpose of funding approximately \$4,314,300² of infrastructure including transportation, water, wastewater, drainage, parks and open space, and sound attenuation improvement systems. These bonds, when issued, will encumber the properties within the CFD with the special tax that will be equal for each and every residential parcel. Based on a maximum annual tax of \$584,335, and 350 proposed lots, the individual lot tax equates to \$1,669.53. If the number of lots increases or decreases, the maximum tax per unit will also change. The maximum amount of the proposed debt is \$6,000,000.

The original physical development plan of the entire NIPA, as well as the adjacent North Roseville Specific Plan (NRSP) area to the west of the subject property, is outlined in Roseville's General Plan 2010 adopted November 18, 1992. The Woodcreek East project acreage was zoned originally for light industrial uses. The recently adopted general plan amendment, rezone, and development agreement shows the newly planned residential development within Woodcreek East. As modified, the NIPA now allows for a relatively small amount of residential development, plus some parks, recreation, open space and commercial support uses. Industrial uses still are predominant, as shown in the table that follows later below. With respect to the properties immediately to the west and southwest of the subject property, the NRSP allows predominantly residential uses, plus a small amount of commercial support development.

Area Description and Discussion. The NIPA extends from the city's northern boundary south to the Northwest Roseville Specific Plan (NWRSP) area, with the southeastern quadrant extending farther south (continuing along its mutual border with the NWRSP) to Pleasant Grove Boulevard. Primary arterials providing access within the interior of the NIPA are Industrial Avenue, Washington Avenue and Foothills Boulevard, all running in a north/south direction, and Blue Oaks Boulevard running in an east/west direction. Recent improvements to the Highway 65 interchange with Blue Oaks Boulevard, as well as the recent construction of the Pleasant Grove Boulevard interchange, allow good freeway access to the subject property area.

Planned land uses within the NIPA are varied. The land classifications with the largest total acreage are light-industrial and general-industrial, constituting 1,470 acres out of a total of 1,786 acres. Open space, parks, and railroad easement areas comprise approximately 150 acres, and commercial uses utilize another 66 acres of the total. Residential uses within the NIPA account for approximately 100 acres. All of the designated residential acreage in the NIPA is within the "Woodcreek East" sub-area. All land uses in the NIPA are summarized in the table below:

² This "Anticipated Facility Cost" is from the *Rate and Method of Apportionment of Special Tax* dated August 15, 2000, prepared by Economic and Planning Systems (EPS).

**Woodcreek East Community Facilities District No. 1 Properties
Roseville, California**

Land Use Category	Acres Gross	% of Total Gross Acres
Residential	99.9	5.6%
Commercial	65.9	3.7%
Light Industrial	1,018.5	57.0%
General Industrial	451.6	25.3%
Open Space	114.8	6.4%
Park and Recreation	15.9	0.9%
Railroad Easement	18.9	1.1%
Total	1,785.5	

It is important to note that residential development within the subject's immediate vicinity is primarily influenced by the NRSP which encompasses the bulk of the residential development to the west and southwest of the subject property. The NRSP contains approximately 845 acres of residential land, and its projected population at total buildout is 12,548. By comparison, the total residential population for the NIPA at total buildout is estimated at only 910, based on 2.6 persons per planned unit.

The tentative large lot and small lot subdivision map submitted to the Planning Department for review on September 1, 2000 shows the proposed uses within the subject CFD, as summarized in the table that follows. This tentative map is quite consistent with the approved General Plan Amendment, Rezone, and the Development Agreement, adopted January 5, 2000.

Land Uses, per Tentative Map, for the Woodcreek East CFD Property		
Land Use Category	Acres Gross	% of Total Gross Acres
Residential	88.40	48.9%
Open Space and Landscape Corridor	84.07	46.5%
Parks & Recreation	8.22	4.6%
Total	180.69	100.0%

**Woodcreek East Community Facilities District No. 1 Properties
Roseville, California**

Planned Woodcreek East CFD Development. The sole permitted residential use under the applicable zoning for Woodcreek East is Low Density Residential (LDR) (0.5 – 6.9 density units per acre).

All 350 units within the CFD will carry LDR zoning. Three different general density categories are planned, as shown in the tentative subdivision map. These are as follows:

8,200± SF Lots	Approximately 4.26 Dwelling Units/Acre (DU/Ac)
8,500± SF Lots	Approximately 4.09 Dwelling Units/Acre (DU/Ac)
9,800± SF Lots	Approximately 3.50 Dwelling Units/Acre (DU/Ac)

All of the lots will be distributed among 7 different areas. The various area compositions, as well as all other property uses within the CFD, are summarized in this table:

Tentative Subd. Map Area #	Property Type	Estimated Acreage	Units
I	Res. 8,200 SF Lots	10.5	42
II	Res. 8,200 SF Lots	13.9	62
III	Res. 8,500 SF Lots	12.2	53
IV	Res. 8,500 SF Lots	22.2	90
V	Res. 9,800 SF Lots	25.3	89
VI	Res. 8,500 SF Lots	3.0	10
VII	Res. 9,800 SF Lots	1.3	4
Open Space/Parks & Rec./Landscape Corridor:		92.3	N/A
TOTAL:		180.7	350

Generally, these lots will be larger than others available in the area, and a strong demand for this limited supply is anticipated.

Valuation Methodology. The purpose of this appraisal is to form an opinion of the market values of the parcels in the CFD, subject to the *Assumptions and Limiting Conditions and Extraordinary Assumptions and Limiting Conditions* later set forth, as of the date of value, September, 2000. The function, or intended use, of the report is to assist Roseville with its bond financing of the Woodcreek East CFD No. 1. We have made every effort to prepare this self-contained appraisal report of our complete appraisal in conformance with and subject to the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute, which fully incorporate the

***Woodcreek East Community Facilities District No. 1 Properties
Roseville, California***

Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation³. Please refer to the Extraordinary and General Assumptions and Limiting Conditions contained in the report.

The scope of the appraisal involved a) cataloging data on the existing legal parcels in the CFD; b) inspection of the subject property and comparable properties; c) study of the area, community, and neighborhood; d) review of various public records; e) interviews with owners and brokers; f) analyses of all appropriate data to arrive at value conclusions; g) preparation of an absorption projection; and h) preparation of this report. Also, past and current real estate market conditions, trends affecting supply and demand, and other economic factors affecting the current and prospective marketability of the respective parcels were investigated and analyzed.

Documents considered include:

- ◆ Roseville General Plan 2010,
- ◆ General Plan Amendment, Rezone, and Development Agreement for Woodcreek East,
- ◆ North Roseville Specific Plan,
- ◆ Roseville Planning Department Quarterly Development Activity Report, Second Quarter of 2000.
- ◆ Various other documents and studies contained within the Planning Department files.

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

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

The GMP (Gross Metro Product) is similar to the gross domestic product, but measured on a metropolitan basis; it is an excellent gauge of regional health. Overall, the strong projected Sacramento MSA GMP growth (stronger than that of both the United States and Northern California in 2000) is expected to contribute to favorable economic conditions for the development of all Roseville projects. Low interest rates, population growth and high rates of employment are additional positive factors contributing to Roseville's robust land development. We conclude that market dynamics are quite favorable in the South Placer area, and that competition from other nearby areas is modest and not likely to significantly impact Roseville market demand.

³The Appraisal Institute is a national (USA) organization of professional appraisers that self-regulates its members, and the undersigned are designated Members of the Appraisal Institute (MAI). A Member must at all times adhere to the Institute's ethics code and standards. The Appraisal Foundation has been tasked by the U.S. Congress to set standards and procedures with which state certified appraisers must comply when appraising any property interest involved in a federally regulated transaction.

**Woodcreek East Community Facilities District No. 1 Properties
Roseville, California**

Generally, all of the properties in the CFD have been appraised using direct, sales comparison approach analyses. The sales comparison analyses resulted in base value determinations for each of the single-family residential property types, and these values were adjusted and applied to each individual property in the various lot-size categories so as to determine a retail value for each property. Then, the retail values of the properties were discounted based on the absorption projection so as to determine bulk values for all properties, under two scenarios.

Value. The appraisers have concluded that the bulk value of the properties contained within the Woodcreek East CFD No. 1, inclusive of any and all bonded indebtedness, as of September 2000 is:

**EIGHTEEN MILLION ONE HUNDRED FIFTY THOUSAND DOLLARS
(\$18,150,000)**

This value can also be called the fee simple, or free and clear value, or the value unencumbered by mortgages or other liens. This value is subject to all Extraordinary and General Assumptions and Limiting Conditions included in report.

The value subject to special tax liens is the cash price that would be paid for a property or group of properties recognizing that special tax payments have to be made. The bulk value of the properties contained within the Woodcreek East CFD No. 1, subject to anticipated special tax liens, as of September, 2000, is:

**FOURTEEN MILLION THREE HUNDRED FIFTY THOUSAND DOLLARS
(\$14,350,000)**

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

I. INTRODUCTION

Purpose of the Appraisal; Property Rights Appraised

The purpose of this appraisal is to estimate the value of the taxable parcels in the CFD, subject to the *Assumptions and Limiting Conditions and Extraordinary Assumptions and Limiting Conditions* later set forth, as of September 2000. Woodcreek East Community Facilities District (CFD) No.1. Since none of the properties are improved with structures, only land values have been appraised. The total land area within the district is approximately 180.7 gross acres.

The extraordinary assumptions and limiting conditions include the assumption, for valuation purposes, that the planned CFD improvements have been completed. Similarly, we have assumed that other infrastructure improvements remaining to be completed will be completed more or less in accordance with the time lines presented in applicable plans; i.e., they will be completed in time to facilitate the various developers' intentions to develop their respective properties.

Function or Use of the Appraisal

The function of the report is to assist the City of Roseville with its financing of its CFD improvements. A "Special Tax" on the appraised properties will generate the funds necessary to service the bonds. The maximum annual special tax will be \$584,335, or \$1,669.53 per unit⁴. All units being taxed are "low density residential" (LDR) lots. The annual tax amount may vary from year to year over a maximum 35-year term but may not exceed the originally set maximum amount.

Our discounted cash flow analyses anticipate that the maximum tax amount will be levied in the subject CFD. If less than the maximum tax were levied, the discounted value derived in the "subject to bonds" analysis would increase.

Scope of the Appraisal

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

⁴ Source: Woodcreek East CFD No. 1, Attachment 1, Maximum Special Taxes, dated 8/15/00 prepared by Economic & Planning Systems. The maximum tax per parcel is based on 350 lots. If the number of lots changes, the tax per lot will change. The tax per lot per month is \$139 or \$1,669.53 annually.

Subject Property History, and Recent Activity

Richland Meadowland, Ltd., purchased the subject property from Walaire Inc., on July 31, 1998. Richland Communities has requested that the purchase price remain confidential.

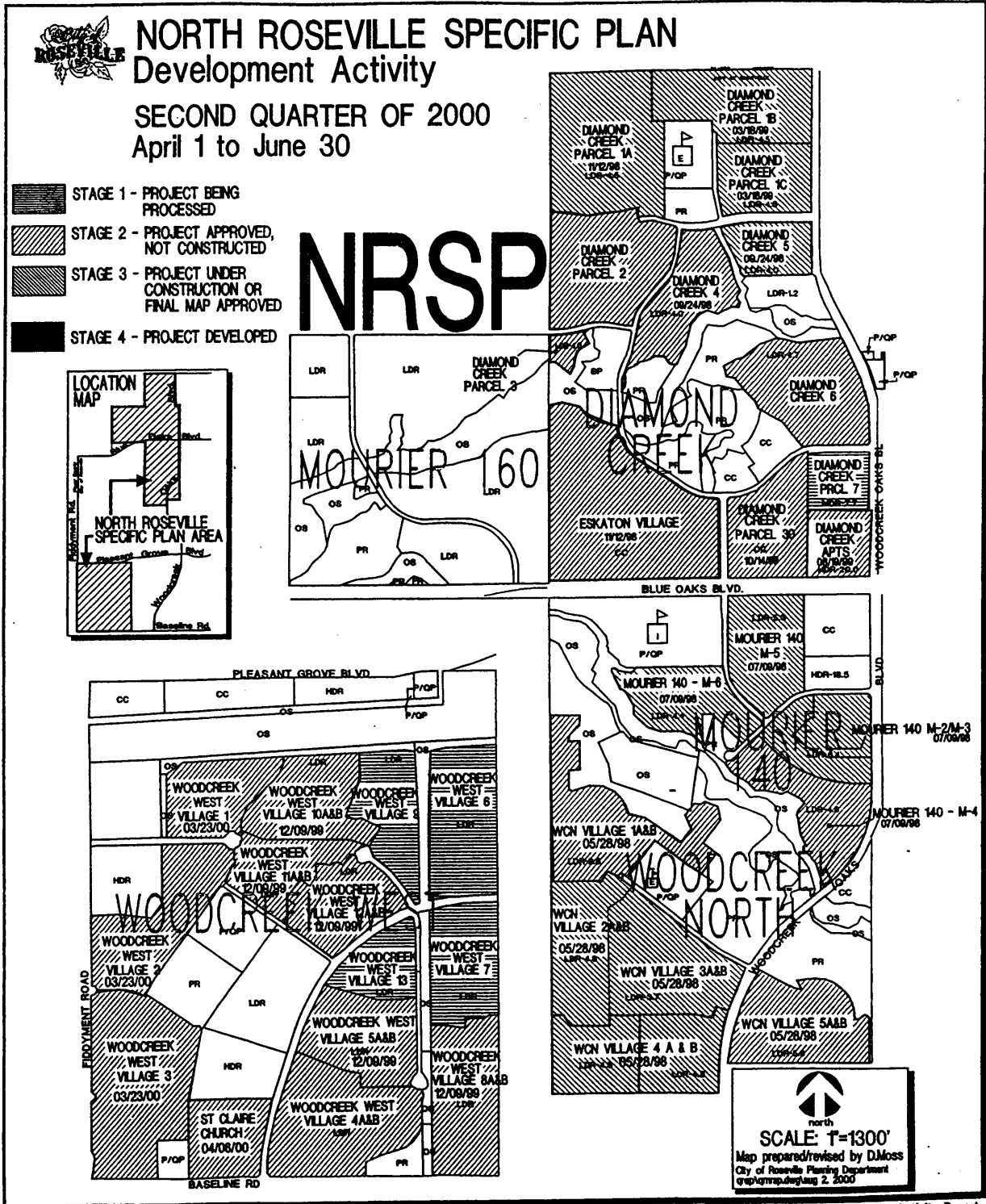
The property was previously designated for Light Industrial uses on the City's General Plan and Land Use Map, and it was zoned Light Industrial (M-1). A General Plan Amendment and Rezone, approved January 5, 2000, changed the designation of the subject property to Low Density Residential (LDR) in order to allow for the future subdivision of the property into approximately 350 residential lots that will occupy approximately 88.4 acres. The entire CFD contains approximately 180.7 gross acres, including 92.3 acres of open space and parks and recreation land. Presently, there are two legal parcels comprising the district, still under one ownership.

All of the land within the subject CFD is located within the North Industrial Planning Area's (NIPA) "Woodcreek East" sub-area. The CFD boundary map overlays the majority of the boundaries of this sub-area. The NIPA is not located within a specific plan area. The planned physical development of the NIPA, as well as the adjacent North Roseville Specific Plan (NRSP) area to the west and southwest of the subject property, is outlined in Roseville's General Plan 2010 adopted November 18, 1992. The recently adopted general plan amendment, rezone, and development agreement further detail the planned development within the Woodcreek East project.

The NIPA (1,786 total acres) will be primarily developed to general- and light-industrial uses (1,470 acres), with only a small portion scheduled for residential and commercial uses. Open space, parks, and railroad easement areas comprise approximately 150 acres, and commercial uses utilize another 66 acres. Residential uses within the NIPA account for approximately 100 acres.

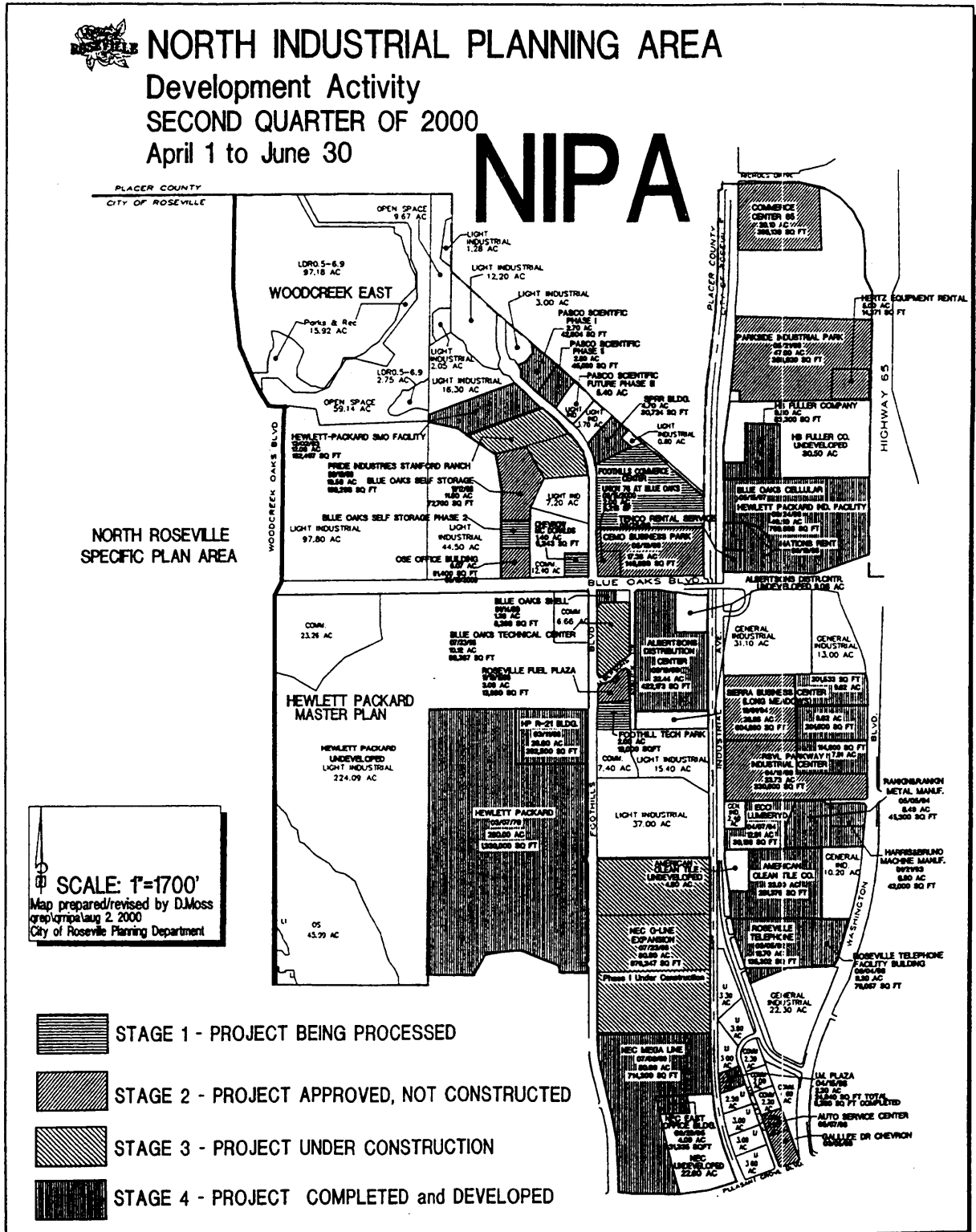
The North Roseville Specific Plan (NRSP) for the area located immediately to the west of the subject property provides for a mix of residential and commercial uses. This is a two-phase, comprehensive plan that will guide the urbanization of 1,392 acres of formerly industrial-zoned land and Urban Reserve land situated in the northwest portion of Roseville. The Phase 1 area of this plan, which is adjacent to the west side of the NIPA, encompasses 738 acres divided into two sub-areas: Diamond Creek/Eskaton Village and Mourier 140/Woodcreek North. The Phase 2 plan area totals 654 acres consisting of Mourier 160, located just north of the Del Webb Specific Plan, and Woodcreek West which is located south of Del Webb. Please refer to the NRSP and NIPA maps on the following pages.

NRSP MAP



Quarterly Development Activity Report
 Second Quarter of 2000
 City of Roseville Planning Department

NIPA MAP



**Woodcreek East Community Facilities District No. 1 Properties
Roseville, California**

The residential land use comprises a total of 845 acres with 4,940 residential units planned within the NRSP area. Most of the development has taken place in the Phase I area of this plan (Diamond Creek/Eskaton Village and Woodcreek North/Mourier 140), while project grading is underway at the Woodcreek West area of Phase II. Roseville's Quarterly Development Activity Report as of the second quarter, 2000, indicates that 118 residential units have been developed and 308 units are under construction. Approximately 3,270 units have been approved but are not yet under construction. According to the same report as of the second quarter, 1999, no residential units were developed or under construction, indicating that all of the development has taken place within the last 12 months. Developer surveys indicate that the majority of the projects in this plan area began selling homes during the year 2000. The surveys also indicate that, as of August, 2000, approximately 191 homes had been developed, and an additional 268 homes were under construction.

Definitions Used in the Report

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

Fee Simple Estate² is the absolute ownership of real property unencumbered by any other interest, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.

Reasonable Exposure Time³ is the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based upon an analysis of past events assuming a competitive and open market.

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

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

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

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

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

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

Value Subject to Special Tax Liens. The cash price that would be paid for a property or group of properties, assuming that annual special tax payments have to be made.

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

Date of Valuation and Date of the Report

The date to which the value estimate applies is September 2000. The date of the report is the date of the letter of transmittal, September 29, 2000.

Extraordinary Assumptions and Limiting Conditions

An “extraordinary” assumption or limiting condition is one that applies to a specific appraisal assignment, rather than one that is typically applied to all appraisal assignments.

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

The Woodcreek East *Initial Study and Negative Declaration*, prepared by the Roseville Planning Department and issued October 29, 1999, shows that a portion of the proposed residential subdivision is situated within the 100 year floodplain. According to the report, potential impacts associated with drainage and flooding are considered to be insignificant. Therefore, the appraisers are assuming that project grading and drainage improvements will remove all lot pads from flood hazard areas.

A tentative subdivision map dated August 26, 2000, was submitted to the Planning Department for review on September 1, 2000. This map appears to conform to the previously approved Development Agreement. The appraisers have assumed that the final map will be similar to the tentative map with regard to lot count and lot size. If lot size or lot count were to change significantly, the appraisal value conclusions could be affected. A copy of the tentative map is displayed later in the report.

⁵ Ibid.

The appraisers have assumed that all other public and private construction infrastructure (major roads, drainage facilities, etc.) already funded (with bonds, or other funding sources) is completed in a timely manner so as not to impact the planned development and absorption of the subject project development.

With regard to future absorption, and absent any evidence to the contrary, we must assume that economic conditions will remain reasonably stable, and that interest rates will remain moderate.

General Assumptions and Limiting Conditions

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

1. Title to the property is marketable.
2. No survey of the property has been made and proposed property lines as they appear on the ground and in plat maps are assumed to be correct.
3. Data, maps, and descriptive data furnished by the client or his representatives are accurate and correct.
4. No responsibility is assumed for matters of law or legal interpretation.
5. No conditions exist that would affect the use and value of the property that are not discoverable through normal, diligent investigation.
6. The valuation is based on information from sources believed reliable, and that such information is correct and accurately reported.
7. The value estimates are made subject to the purpose, date, and definition of value.
8. The report is to be considered in its entirety and use of only a portion will invalidate the appraisal.
9. This appraisal was made on the premise that there are no encumbrances prohibiting utilization of the property under the appraiser's estimate of highest and best use.
10. Possession of this report or a copy does not carry with it the right of publication, nor may it be used for any purpose or function other than those stated in the report, nor may it be used by anyone other than the client without the previous written consent of the appraiser and the appraisal firm, and then only with proper qualifications and arrangements, possibly including the payment of an additional fee to the appraisal firm.

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11. Disclosure of the contents of this appraisal report is governed by the By-Laws and Regulations of the Appraisal Institute. The report is subject to review by duly authorized representatives of the Appraisal Institute. No part of this narrative report may be reproduced by any means nor disseminated to the public in any way without the prior written consent of the appraiser. Dissemination of the Executive Summary in the planned bond underwriting official statement is permitted. Also, the appraisers understand that the appraisal will become public information.
12. The liability of the appraisers, the appraisal firm, and its employees and associates is limited to the client only and to the fee actually received by the appraisal firm. There is no accountability, obligation, or liability to any third party. If the appraisal report is disseminated to anyone other than the client, the client shall make such party or parties aware of all limiting conditions and assumptions affecting the appraisal assignment. Neither the appraiser nor the appraisal firm are in any way to be responsible for any costs incurred to discover or correct any physical, financial, and/or legal deficiencies of any type present in the subject property.
13. Any person or entity who obtains or reads this report, or a copy, other than the client specified in this report, expressly assumes all risk of damages to himself or third persons arising out of reliance on this report and waives the right to bring any action based on the appraisal, and neither the appraisers nor the firm of Bender Rosenthal shall have any liability to any such person or entity.
14. The appraiser shall not be required to give testimony or appear in court by reason of this appraisal with reference to the property described in this report unless prior arrangements have been made.
15. No responsibility is assumed for building permits, zone changes, engineering, or any other services or duty connected with legally utilizing the subject property.
16. Unless otherwise stated in this report, the existence of hazardous material, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property, except as discussed in the report. The appraiser, however, is not qualified to detect such substances. The presence of such substances as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.
17. Portions of the property appraised may be subject to the Americans with Disabilities Act of 1990 (ADA). Title III of this act provides for penalties for discrimination in failing ". . . to remove architectural barriers . . . in existing facilities [unless] an entity can demonstrate that the removal . . . is not readily achievable. . ." Unless otherwise noted in this appraisal, it is assumed that the

property appraised is not substantially impacted by this law. However, no detailed compliance review has been undertaken by the appraiser, nor is the appraiser an expert in ADA matters.

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

Additional Matters

1. The appraiser uses the first person singular and plural pronoun forms interchangeably.
2. Since the English language does not include a gender-neutral personal pronoun in the third person singular case, the appraisers use the pronoun "he", even if the unnamed party could be a "she".

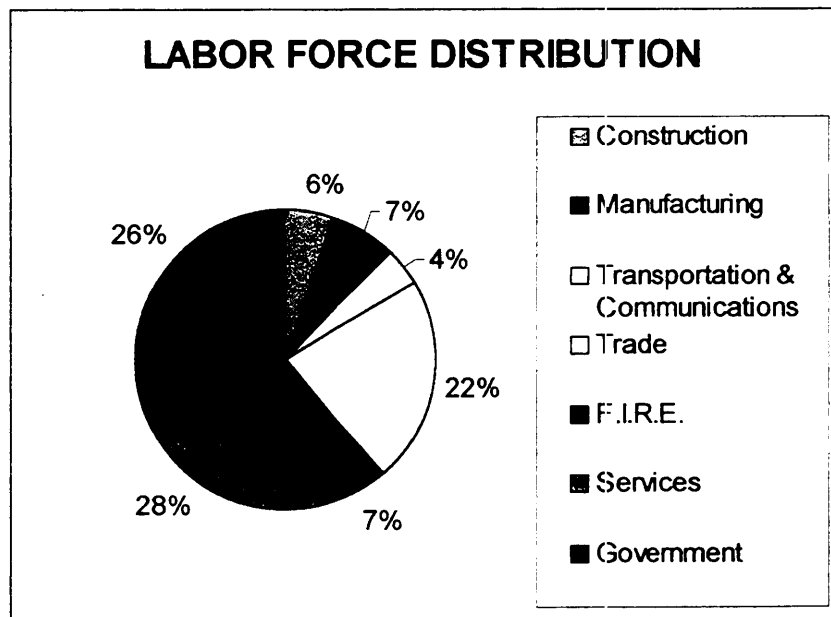
II. REVIEW OF GREATER SACRAMENTO AREA CONDITIONS

The subject CFD area is located about 23 miles northeast of downtown Sacramento in the City of Roseville, Placer County, California. The Sacramento Metropolitan Area, including the counties of Sacramento, Yolo, Placer, and El Dorado, is strategically located with respect to transportation corridors and agricultural production within California's huge Central Valley region. The metropolitan area benefits from being the capital and center of government for the state of California, which currently has a population exceeding 33 million and a gross domestic product that, if compared to other nations, would be among the top ten in the world. According to the U. S. Census Bureau, the Sacramento-Yolo Consolidated Metropolitan Statistical Area (CMSA) population is in excess of 1.686 million (7/1/98 estimate; their latest); this is approximately 5 percent of California's total population.

The area's population is well educated, relatively young, and used to working at wage scales that are below those found in the larger, coastal cities. Local employment, which is very dependent on government (25+ percent of jobs, 50+ percent of economic base), was adversely impacted by the national recession and California depression of the early 1990s, but less so than many other metropolitan areas of California. Indeed, the economic downturns in this area are never as severe as they are in some other parts of the state.

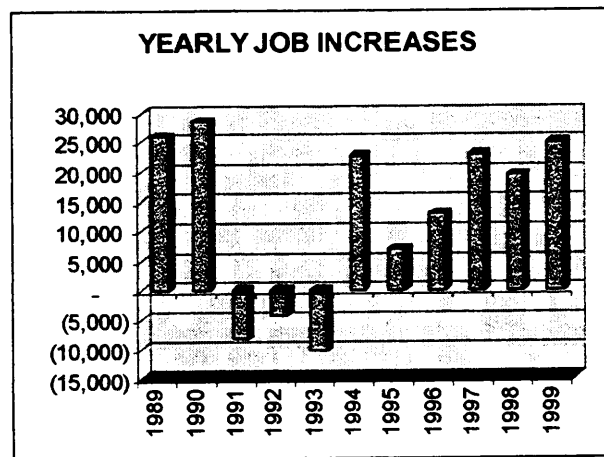
In addition to government, services and trade are the major employment components of local labor force. The "high tech" employment component is increasing as companies located in the Silicon Valley and elsewhere relocate some of their facilities here, but this is still less than 7% of all jobs.

The current national prosperity is also evident locally. While the Sacramento MSA unemployment rate is not quite as low as those being experienced in the booming Silicon Valley and in Southern California, it definitely is low by state and national standards. In fact, the rate is so low in all of these areas that one would expect the possibility of wage-push inflation to develop. All reports are that the Federal Reserve is watching this closely, but further interest rate hikes this year seem unlikely.



UNEMPLOYMENT SUMMARY (August, 2000)	
AREA:	RATE:
United States	4.1%
California	5.0%
Sacramento MSA	4.0%
Vallejo-Fairfield-Napa MSA	3.8%
San Francisco MSA	2.4%
San Jose MSA	2.0%
San Diego MSA	3.3%
Orange County MSA	2.7%
Yolo PMSA (Yolo County)	3.4%
<i>Source: California EDD</i>	

The total number of jobs in the local economy was restored to pre-recession levels in early 1995, and job growth has continued steadily since then. As of the end of 1999 there were 762,200 persons employed, compared to 654,000 at the end of 1989. The adjacent table shows this robust job growth on an incremental basis.



Over the last twelve months Sacramento area payrolls have continued to expand in most major industries, as 18,600 jobs were added. Government experienced the largest gain - 5,800 jobs. Local educational staff additions accounted for 70% of this increase. The rapidly growing services industry increased by 4,900 jobs and retail trade by 3,300. Manufacturing employment, which recently topped 50,000 jobs for the first time, was up by 1,700 jobs, largely due to gains in electronics and other durable goods sectors. Construction employment was up 1,400 jobs over last year, and is at a record high level. Smaller increases occurred in other sectors.

With job growth locally, and a strong stock market nationally, comes consumer confidence and a strong housing market. The median existing home price in 1999 was \$131,841 in Sacramento County, \$205,000 in Placer County, and \$177,500 in El Dorado County. A total of 21,640 existing homes were sold in these three counties in 1999.

The new home market is also very active, as builders offer product in various localities in the metropolitan area, including Laguna, Folsom, Natomas, Roseville, Rocklin, and other venues. For the first time ever the median price of new homes sold in the area rose above the \$200,000 level. A total of 10,656 new homes were sold in the four county area in 1999. Most brokers are expecting this year's sales to exceed those of 1999.

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While the current near-“ boom” conditions in the local economy and residential development may lessen at some time in the future, the area’s overall attractiveness as a place to live and work should positively impact the local economy and real estate values in the long run. We believe that real estate development of recognized quality that in the higher-demand areas will experience value appreciation throughout any real estate cycle.

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

III. DESCRIPTION OF THE ROSEVILLE AREA AND THE CFD AREA

General Description. Roseville is located in the south Placer County area of the Sacramento metropolitan region, along both sides of Interstate 80, as shown on maps contained later in this section. It is situated approximately 20 miles northeast of downtown Sacramento, and is one of five cities in south Placer County. Roseville consists of about 29 square miles and has an estimated population of 74,200 (as of January 2000), a 17% increase from 1997. The city provides full urban services including sewer, water, police and fire protection, street maintenance, and street lighting.

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

Roseville maintains high standards for public services and facilities, such as parks, which are more numerous in this city than in other areas in the region. All new neighborhoods have landscape corridors and design standards that contribute to the quality of the area. Most of the schools are new, and they are designed to accommodate growth. The Roseville Automall, one of the world's largest auto malls, is situated on 90 acres within the city limits, and has 14 dealerships. As a result of the Automall's success, Roseville's tax revenue is 200 percent more than the state average; the mall sales taxes represent 42% of Roseville's total sales tax revenue. The recent completion and opening of Roseville's new Galleria regional shopping mall is expected to substantially add to the sales tax revenues for the city. The 1.1 million square foot shopping center opened 99 percent leased and features more than 120 retailers anchored by Nordstrom, Macy's, JC Penney and Sears.

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

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

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

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POPULATION GROWTH 1981, 2000 ⁶			
AREA	1981	2000	(% Increase from 1981)
Roseville	25,300	74,200	193.3%
Rocklin	7,500	35,250	370.0%
Lincoln	4,230	9,675	128.7%
Placer County	121,200	234,400	93.4%
Sacramento County	797,700	1,209,500	51.6%
California	24,013,200	34,336,000	43.0%

Placer County's current population of 234,400 is 35% higher than in 1990. Officials project the population will grow to 286,100 by 2005. The combined population of Roseville and Rocklin is expected to increase to approximately 173,100 by the year 2015, a 58% increase.

In comparison, the population of greater Sacramento grew by 21% between 1990 to 2000 and is projected to grow another 13 percent by 2005. California, which grew by 14% between 1990 and 2000, is projected to grow another 6% by 2005.

The following table summarizes Roseville's population and job growth from 1990 to 2000:

	<u>Population</u>	<u>Employment</u>
1990	44,685	28,349
1995	56,500	39,234
1997	63,479	43,262
1999	71,600	47,450
2000 (Estimate)	74,200	49,304
Change 1990-2000	29,515	20,955
Percent Change 90-99	66.1%	73.9%
Source: California Department of Finance, Sacramento Area Council of Governments		

⁶POPULATION ESTIMATES FOR CALIFORNIA CITIES AND COUNTIES, JANUARY 1, 2000, Department of Finance, State of California.

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South Placer Growth Planning. One of the primary reasons the Roseville/Rocklin/Lincoln area is at the forefront of growth in the Sacramento region is its favorable planned growth environment and the quality and thoroughness of its land planning process. The process in these three cities are guided by specific plans - comprehensive documents that spell out not only where growth will occur and at what density, but also how it can be accommodated with the least negative impact on the city. The plans specify designs, detail roadways and facilities, and provide for their funding and phasing.

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

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

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

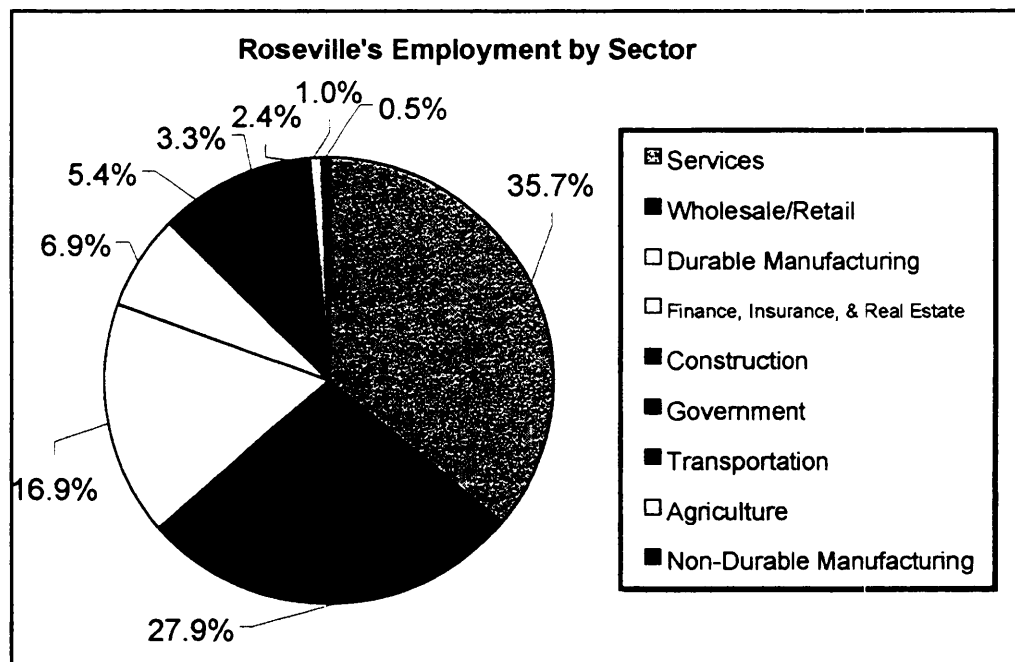
LARGEST SACRAMENTO AREA MANUFACTURERS IN SOUTH PLACER COUNTY*				
RANKING	NAME/LOCATION	NO. OF FULL-TIME EMPLOYEES	PRODUCTS	YEAR EST. IN AREA
1	Hewlett-Packard Co., Roseville	6,000	Computer-related equipment	1979
3	PRIDE Industries, Roseville	2,800	Electronic cables, electro-mechanical and circuit board assemblies, wood pallets and crates, rubber stamps, plaques, and advertising specialties	1983
4	NEC Electronics Inc., Roseville	1,500	Semiconductor devices	1983
20	Herman Miller, Inc., Rocklin	405	Open office systems furniture for office and healthcare environments	1989
22	Formica Corp., Rocklin	400	Formica brand high-pressure decorative laminate	1965
24	Sierra Pacific Industries	317	Lumber and a congregate care facility in Lincoln	1991
Total		11,422		
* Sacramento Business Journal, 1999; Bender Rosenthal.				

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These 11,422 employees represent approximately 40% of the total employed by the 25 largest Sacramento area manufacturers. Other major employers in Roseville are shown in the table below.

ADDITIONAL PRIVATE SECTOR EMPLOYERS	
COMPANY	NO. OF FULL-TIME EMPLOYEES
Sutter Roseville Medical Center	1,500
Kaiser Permanente	1,394
Union Pacific Railroad	1,294
Roseville Communications	688
Agilent Technologies	450
*City of Roseville Community Economic Profile, August 2000, and other sources.	

The following table shows the city's employment by sector. Of special interest here is the fact that only 3.3% of the city employment is in the government category, compared to 26% for the greater Sacramento area.



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

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MAJOR INDUSTRIAL, MANUFACTURING, AND HIGH-TECH DEVELOPMENT ACTIVITY AND EXPANSION				
NO.	NAME/LOCATION	ACREAGE OWNED	YEAR PURCHASED	REMARKS
1	Hewlett-Packard The Foothills, Roseville	500	1979	1.9 million square feet of buildings, on approximately 200 acres housing most of its 6,000 South Placer County employees; the largest employer in Placer County. Proposed expansion to 4.25 million square feet to accommodate up to 13,800 employees during the next 20 to 25 years. HP estimates that approximately 3 million square feet, or 70% of the site, will be developed by the year 2010.
2	NEC Electronics The Foothills, Roseville	154.4	1982, 1989, and 1994	741,300 SF of buildings including a semiconductor chip manufacturing plant, and a chip fabrication addition, for a total investment of over \$1 billion. There are currently 1,500 employed at this facility. There are plans for a \$1.4 billion expansion totaling 660,000 square feet of new buildings on 80-acres north of the existing facilities. Construction of this expansion project is scheduled to be completed in 2003, and will add more than 700 workers.
3	Herman Miller Stanford Ranch, Rocklin	156	1985	Phase I (335,210 SF) of a proposed 750,000 square foot facility is completed and employs 405 people in this western regional furniture manufacturing and distribution facility.
4	Oracle Rocklin	35	1997	A 100,000 SF data processing center was completed in 1998. The center accommodates 360 employees. A second phase is planned for and additional 200,000 SF that will accommodate up to 800 additional employees. The facility is projected to eventually reach 500,000 square feet with 2,000 employees.
5	Ace Hardware Stanford Ranch, Rocklin	27	1987	A 484,000 square foot West Coast distribution center is completed and employs approximately 196 people. It is the largest distribution facility in Ace's nationwide system and supplies 480 Ace Hardware stores in the western United States.
6	H.B. Fuller The Foothills, Roseville	40	1987	A 71,300 square foot \$10 million industrial adhesives manufacturing plant is completed. This facility is a consolidation of three other smaller West Coast operations.
7	Albertson's Inc. The Foothills, Roseville	63	1988	A 328,715 square foot distribution warehouse is completed. There are 150 employees at this facility. Approval has been granted for additional expansion (Phase II), a 122,000 SF cold storage facility.
8	PASCO Scientific Foothills Business Center, Roseville	10.7	1988	A 42,800 square foot manufacturing, warehouse, and office building is completed. This company relocated from Hayward and employs about 170 people. The company completed Phase II, a 45,090 square foot expansion that includes manufacturing/warehouse space with support offices and core service areas.
9	The Gap Stanford Ranch, Rocklin	6.9	1990	A 40,000 square foot data processing center is completed on this site.
Total		993		

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

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northwest. The areas served by the bypass include, among others, the following major development tracts:

- ◆ The North Roseville and Sunset Industrial areas - 6,000 acres;
- ◆ The Northwest Plan area of Roseville - 2,648 acres;
- ◆ The North Central Plan area of Roseville - 2,331 acres;
- ◆ Stanford Ranch in Rocklin - 3,500 acres;
- ◆ The Northwest Rocklin Plan area - 2,800 acres;
- ◆ The Lincoln Airpark in Lincoln - 900 acres; and
- ◆ Lincoln Sphere of Influence (Southeast and Southern) (Eastlake, Eastridge, Lincoln Crossing, and Eastpark) - 2,214 acres.

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

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

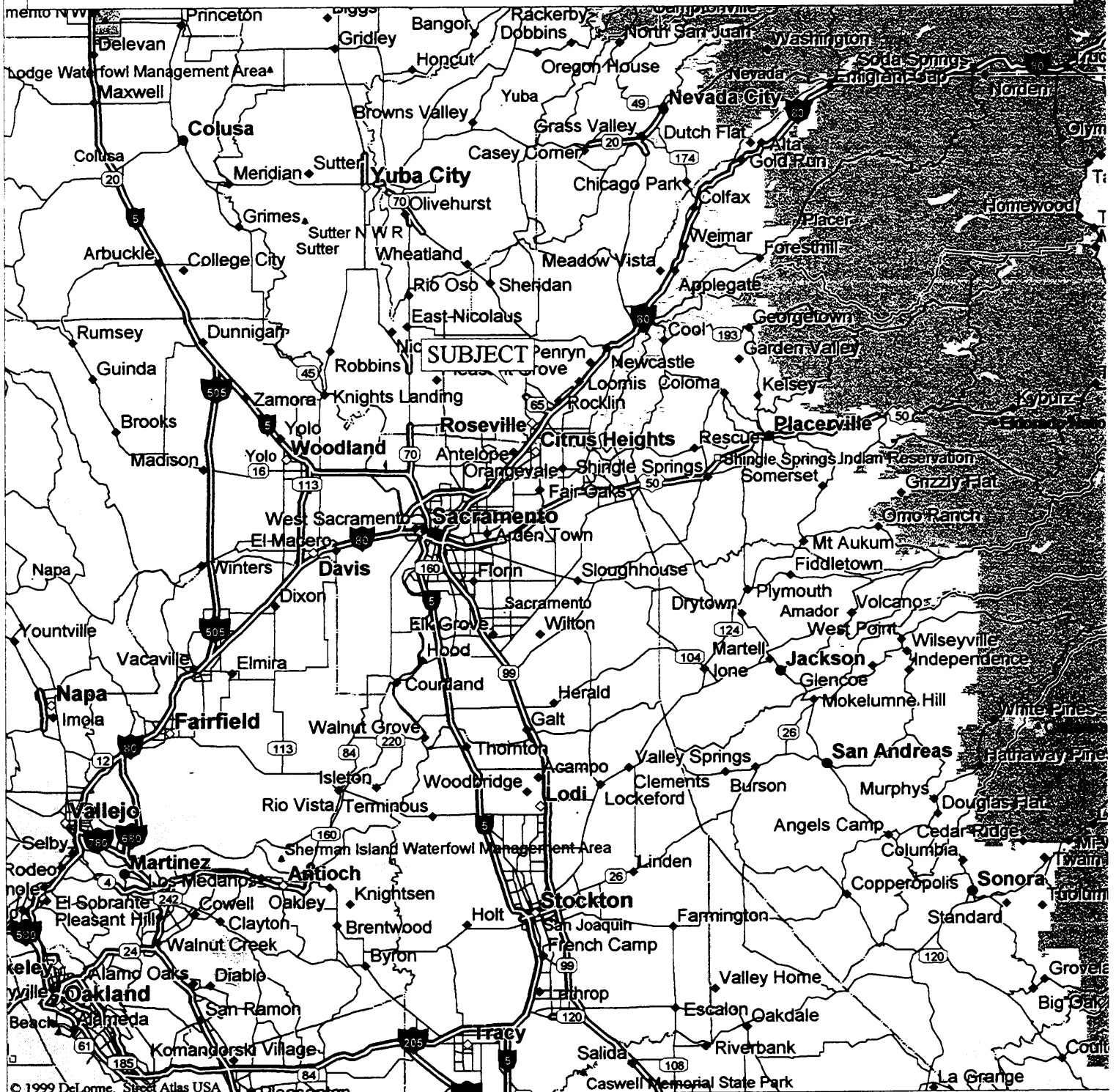
- ◆ Pleasant Grove Boulevard (completed);
- ◆ Blue Oaks Boulevard (upgraded and complete); and
- ◆ Placer/Sunset Boulevard (will be constructed when there is sufficient demand, currently slated for the year 2010).

The recent completion of the first two of these interchanges has greatly increased the ease of access to all of the development within this northwest Roseville area.

NEIGHBORHOOD DESCRIPTION

Description of Woodcreek East CFD No. 1 Area. The next few pages contain a series of maps showing the subject's location with respect to the region and other specific plan areas. As shown on these maps the general subject neighborhood includes the Highland Reserve North Specific Plan area, the North Central Specific Plan area, the North Industrial Planning Area, the Northwest Roseville Specific Plan area, the Del Webb Specific Plan area, and the North Roseville Specific Plan area. Essentially, these areas comprise all of Roseville located on the west side of Interstate 80. The subject property is in the North Industrial Planning Area.

AREA MAP



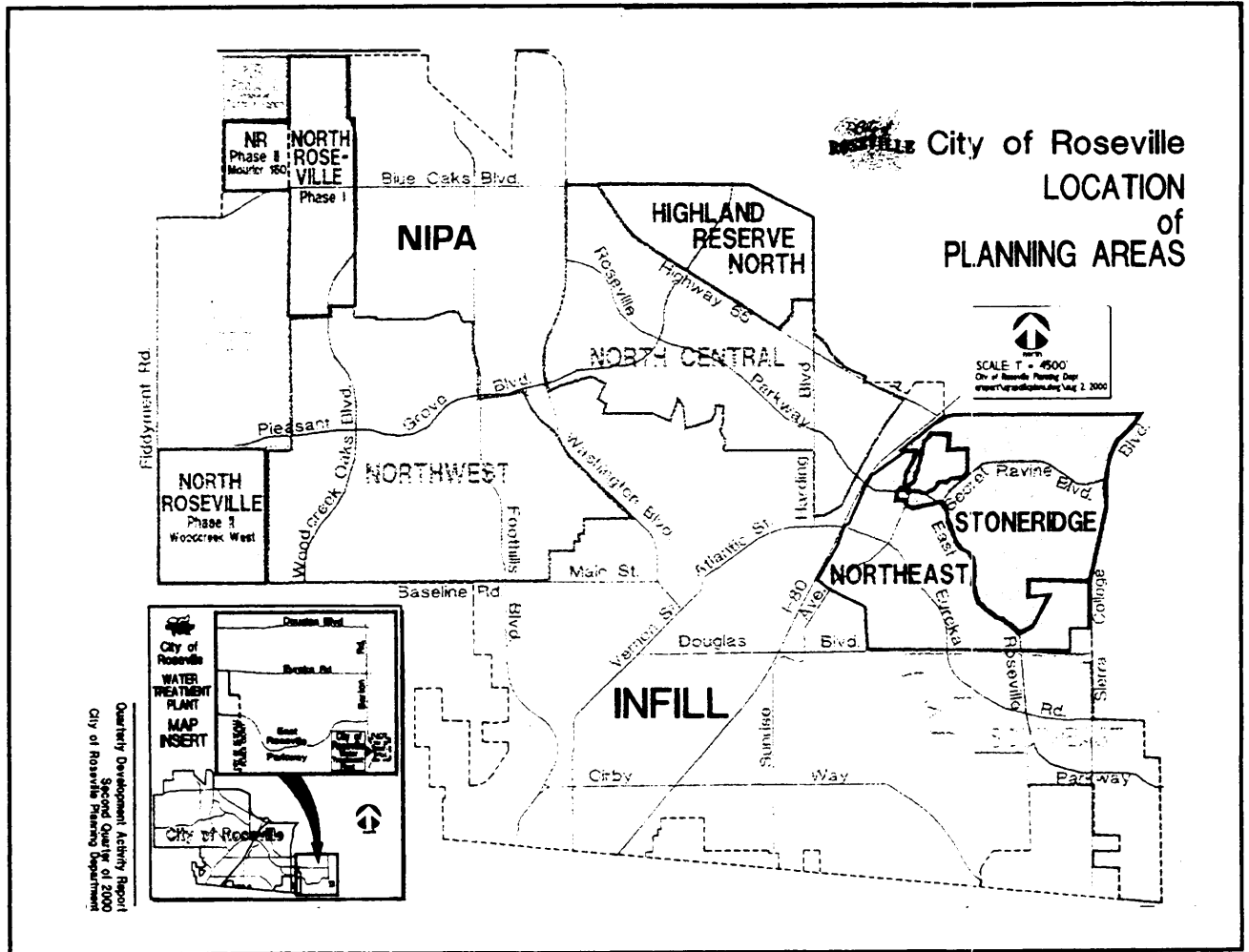
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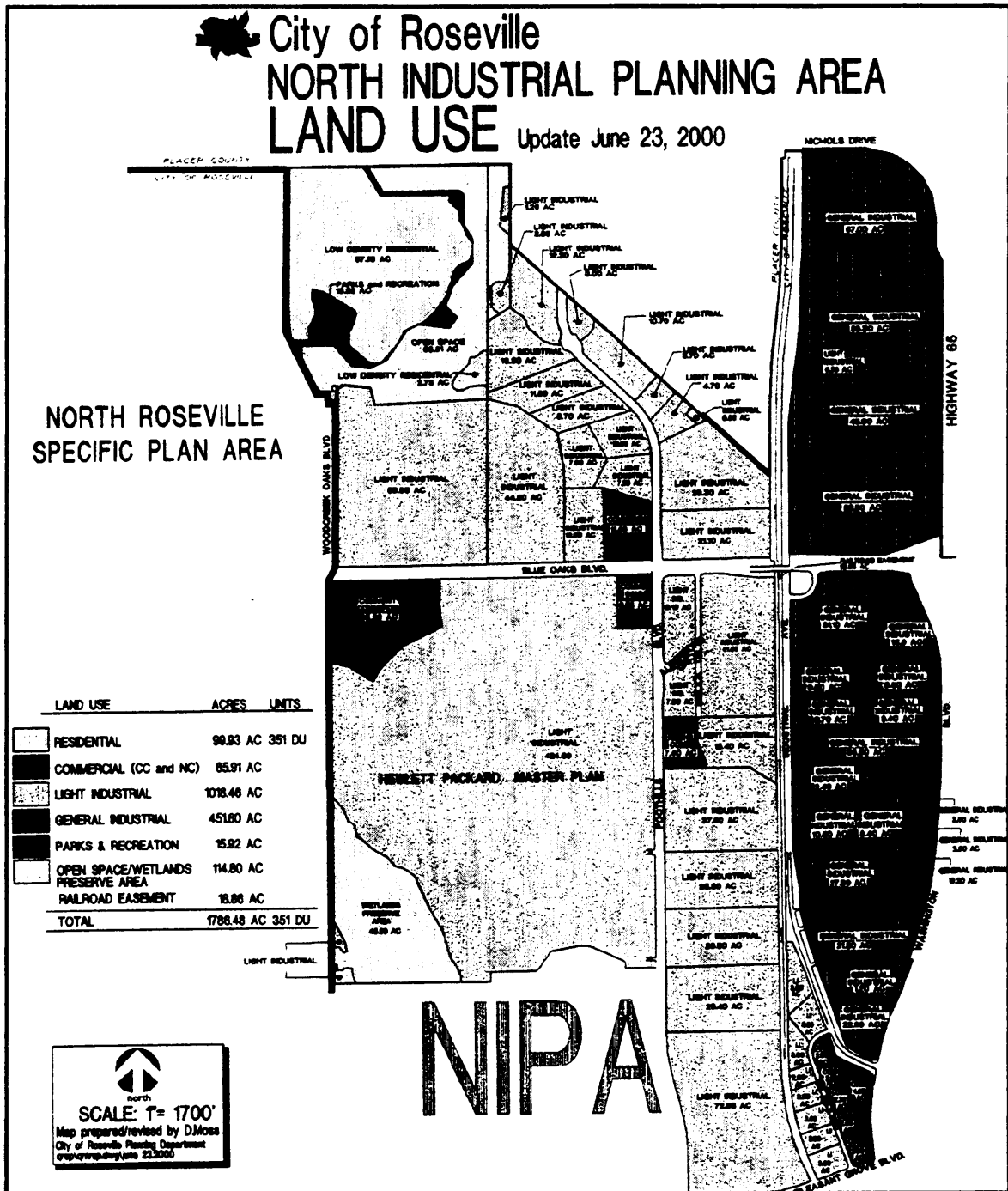
20 KM

- | | | | |
|--|---------------------------|--|-------------------|
| | Major Road | | Point of Interest |
| | Major Highway | | County Seat |
| | Ferry | | State Capital |
| | Interstate/Limited Access | | Large City |
| | Toll Highway | | Park/Reservation |

CITY OF ROSEVILLE PLANNING MAP



NIPA LAND USE MAP



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All of the land within the subject CFD is located within the North Industrial Planning Area's (NIPA) "Woodcreek East" sub-area. The CFD boundary map overlays the majority of the boundaries of this sub-area. The NIPA is not located within a "specific" plan area. The planned physical development of the NIPA, as well as the adjacent North Roseville Specific Plan (NRSP) area to the west of the subject property, is outlined in Roseville's General Plan 2010 adopted November 18, 1992. The recently adopted general plan amendment, rezone, and development agreement further detail the planned development within the "Woodcreek East" project.

The NIPA (1,786 total acres) will be primarily developed to general- and light-industrial uses (1,470 acres), with only a small portion scheduled for residential and commercial uses. Open space, parks, and railroad easement areas comprise approximately 150 acres, and commercial uses utilize another 66 acres. Residential uses within the NIPA account for approximately 100 acres. All of the designated residential acreage in the NIPA is within the "Woodcreek East" sub-area. The residential land within the NIPA is currently vacant and undeveloped with the exception of a small residence located in the extreme southeastern portion of this sub-area.

The NIPA is generally bound by the Roseville city limits to the north, Woodcreek Oaks Boulevard on the west, Highway 65 and Washington Boulevard to the east, and the Northwest Roseville Specific Plan to the south. The southeastern quadrant of the NIPA extends farther south (continuing along its mutual border with the NWRSP) to Pleasant Grove Boulevard. Other primary arterials providing access within the interior of the NIPA are Industrial Avenue and Foothills Boulevard, running in a north/south direction, and Blue Oaks Boulevard running in an east/west direction. Recent improvements made at the Highway 65 interchanges with Blue Oaks Boulevard and Pleasant Grove Boulevard allow good freeway access to the subject property area.

The following table outlines the designated land uses in the North Industrial Planning Area:

Land Uses for the North Industrial Planning Area		
Land Use Category	Acres Gross	% of Total Gross Acres
Residential	99.9	5.6%
Commercial	65.9	3.7%
Light Industrial	1,018.5	57.0%
General Industrial	451.6	25.3%
Open Space	114.8	6.4%
Park and Recreation	15.9	0.9%
Railroad Easement	18.9	1.1%
Total	1,785.5	100.0%

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The CFD encompasses 180.7 gross acres of land. The CFD boundaries overlay the majority of the boundaries of the NIPA's "Woodcreek East" sub-area, located on the east side of Woodcreek Oaks Boulevard, approximately ½ mile north of Blue Oaks Boulevard, adjacent to the city's northern boundary. An approximately 7.3 acre parcel containing an existing small single-family residence located in the extreme southeast portion of the Woodcreek East sub-area is *not* included within the CFD boundaries. The CFD is located approximately 5 miles northwest of downtown Roseville and is primarily accessed by Woodcreek Oaks Boulevard, north of Blue Oaks Boulevard. The CFD area is generally bound by Woodcreek Oaks Boulevard on the west (across from the North Roseville Specific Plan's Diamond Creek neighborhood), the city limits on the north, and predominately vacant light-industrial zoned land on the east and on the south. The property is generally a quadrangle in shape, except for an irregular southeastern corner perimeter line, and has generally level to gently undulating topography; high-tension power lines traverse the northern border. The southern portion of the subject property open space is bisected in an east-west manner by Pleasant Grove Creek. The CFD Boundary Map follows.

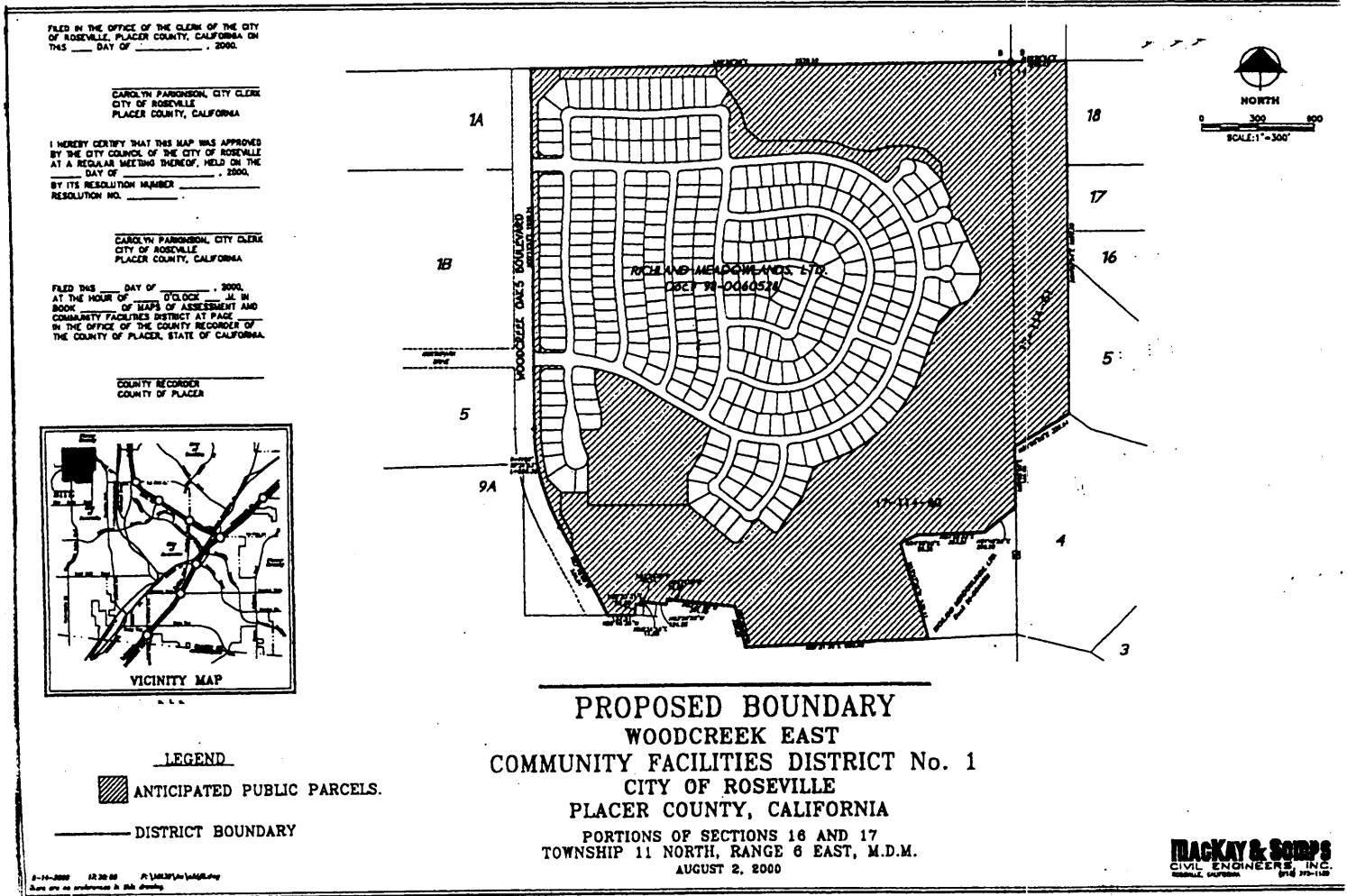
The tentative subdivision map as shown on the following pages, dated August 26, 2000, submitted to the Planning Department for review on September 1, 2000, indicates that approximately 88.4 gross acres of the subject property will be utilized for residential use. The remaining 92.29 acres within the CFD are designated for open space, parks and recreation, and landscape corridor use. None of the CFD's acreage is designated for commercial uses. The subject CFD has no freeway visibility, and freeway access is via connector arterials to the State Highway 65 bypass. Other metropolitan area arterials may be accessed via Baseline Road and various other streets and circuitous routes. The district is located approximately 5 miles northwest of downtown Roseville and is primarily accessed from downtown by Fiddymont Road and Blue Oaks Boulevard.

The following table outlines the planned land uses within the subject CFD in more detail:

Land Uses for the <u>Woodcreek East CFD</u> Property		
Land Use Category	Acres Gross	% of Total Gross Acres
Residential	88.40	48.9%
Open Space and Landscape Corridor	84.07	46.5%
Parks & Recreation	8.22	4.6%
Total	180.69	100.0%

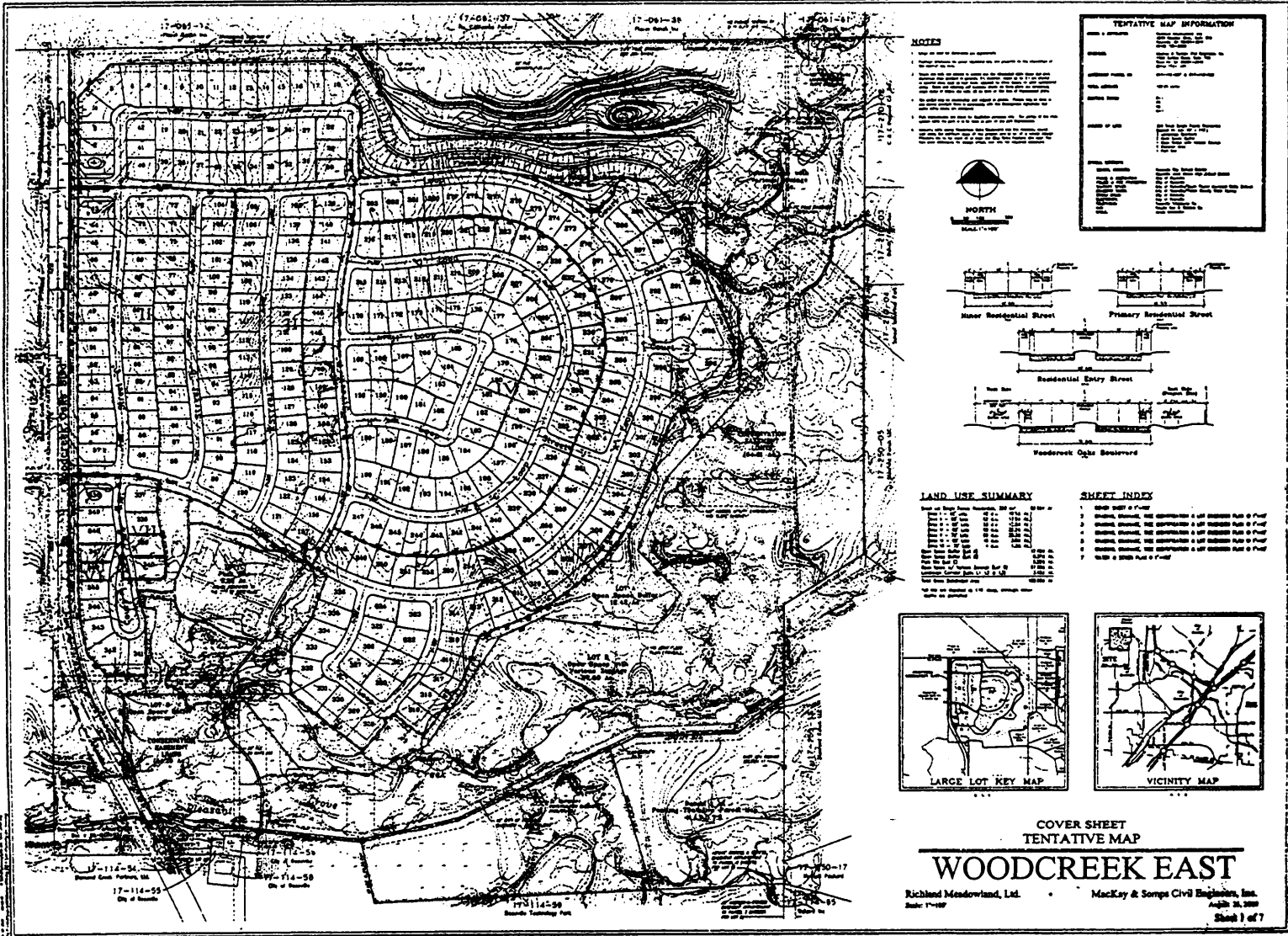
**Woodcreek East Community Facilities District No. 1 Properties
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CFD BOUNDARY MAP



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TENTATIVE SUBDIVISION MAP



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Land Use. Land uses in the NIPA are predominately light industrial and general industrial. However, there are no industrial land uses included within the boundaries of the subject CFD.

The North Roseville Specific Plan area located directly to the west will have an influence on the residential development characteristics of the subject CFD, even though the subject property is not located within its boundaries. This area includes a mix of residential and neighborhood-support uses, including single-family and multi-family dwellings, senior housing, schools, open space, commercial, business-professional, parks and service uses. Schools, parks and neighborhood commercial centers are strategically located so that they serve as focal points and activity centers.

The neighborhoods are small (less than one mile in their longest dimension) so as to encourage residents to walk to the various schools, parks and neighborhood commercial centers. There are paths for pedestrian and bicycle use throughout the neighborhoods. The oak woodlands and creek beds that are prevalent in the area provide visual and recreational amenities, natural resource preservation and natural drainage, and they will be a principal component of the pedestrian and bike pathway system.

Permitted Private Land Use with the CFD. The permitted use under the applicable residential zoning for the Woodcreek East sub-area land within the CFD boundaries is:

Low Density Residential (LDR) (0.5 – 6.9 density units per acre). Zoning is: R1/DS.

The General Plan land use designation for this use is Low Density Residential, and the zoning district is R1/DS (Single Family Residential/Development Standards Overlay). The LDR category designation is intended for attached or detached single family units, or similar or related compatible uses, with a density level ranging from 0.5 to 6.9 density units per acre. The intent of the R1/DS standards is (1) to provide an adequate fire safety setback along any single family residential lots adjacent to open space corridors, and (2) to provide a northern project boundary setback to primary structures consistent with the setback in the North Roseville Specific Plan. Fencing adjacent to open space shall be non-combustible wrought iron.

All 350 units within the district will be Low Density Residential. The permitted density range allows for some flexibility in selecting dwelling unit types and configurations to suit particular site conditions and housing needs. Dwelling types in this density range could include attached or detached single family dwelling units, and the types of lots anticipated in this range include small lots and clustered lots as well as conventional and large lots. Permitted uses are as specified by the Single Family Residential (R1) District of the Roseville Zoning Ordinance. The parcels within the R1/DS zoning district may allow standard single-family product with half-plexes on corner lots, to meet the affordable housing goals and allow diversity and innovation in housing types. Due to the product variability possible within the density range prescribed by this zoning district, it is anticipated that projects may be proposed that vary from the Development Standards as specified in the Roseville Zoning Ordinance.

The three different general density categories specified in the tentative subdivision map, submitted to the Planning Department on September 1, 2000, for review, are as follows:

**Woodcreek East Community Facilities District No. 1 Properties
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8,200± SF Lots	Approximately 4.26 Dwelling Units/Acre (DU/Ac)
8,500± SF Lots	Approximately 4.09 Dwelling Units/Acre (DU/Ac)
9,800± SF Lots	Approximately 3.50 Dwelling Units/Acre (DU/Ac)

The table below presents the planned uses and anticipated single family lot sizes within the CFD:

Tentative Subd. Map Area #	Land Use Designation	Property Type	Estimated Acreage	Units
I	LDR	Res. 8,200 SF Lots	10.5	42
II	LDR	Res. 8,200 SF Lots	13.9	62
III	LDR	Res. 8,500 SF Lots	12.2	53
IV	LDR	Res. 8,500 SF Lots	22.2	90
V	LDR	Res. 9,800 SF Lots	25.3	89
VI	LDR	Res. 8,500 SF Lots	3.0	10
VII	LDR	Res. 9,800 SF Lots	1.3	4
Open Space/Parks & Rec./Landscape Corridor:			92.3	N/A
TOTAL:			180.7	350

Commercial Land Uses. There are no commercial uses designated within the subject CFD area.

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North Roseville Specific Plan Area Development. As previously discussed, the North Roseville Specific Plan area comprises the bulk of the surrounding residential development within the subject's general neighborhood. The following table summarizes construction activity for residential and non-residential land uses through June 30, 2000, the most recent statistics available for the North Roseville Specific Plan area.

Residential Land Uses - Through June 30, 2000									
Land Use	Stage 2		Vacant Lots		Stage 3		Stage 4		Acres
	Total Units	Total Acres	Total Acres		Under Construction Units	Developed Units			
Low Density	3,441	767.50	614.32	2,187	308	118	22.24		
Medium Density	212	29.30	9.60	57	0	0	0.00		
High Density	887	48.00	10.00	200	0	0	0.00		
Eskaton Village	400	52.10	52.10	400	0	0	0.00		
Total	4,940	896.90	686.02	2,844	308	118	22.24		
Non-Residential Land Use - Through June 30, 2000									
	Stage 2		Stage 3		Stage 4		Acres	Square Feet	Acres
	Square Feet	Acres	Square Feet	Acres	Square Feet	Acres			
Commercial	17,750	4.10	0	0.00	0	0	0.00	0	0.00
Commer. (Eskaton VII.)	862,200	52.10	0	0.00	0	0	0.00	0	0.00
Business-Professional	0	0	0	0.00	0	0	0.00	0	0.00
Total	879,950	56.20	0	0.00	0	0	0.00	0	0.00

Source: City of Roseville Planning Department, Quarterly Development Activity Report, Second Quarter of 2000.

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

Other Major Development that affects the Neighborhood. The paragraphs below describe the major developments that provide services to the subject property neighborhood.

Galleria at Roseville - This 94.18 acre site (referred to as Parcel 35 in the North Central Roseville Specific Plan) was completed and opened to the public on August 25, 2000. The project was developed by Urban Shopping Centers, Inc. This is the first regional mall development in the last 15 years in the Sacramento area. It is located at the northwest corner of Galleria Boulevard (formerly Harding Boulevard) and Roseville Parkway (in close proximity to the Creekside Center discussed below). The two level mall has four major anchors, an outdoor plaza, and a total gross leaseable area of 1,120,000 square feet. Anchors include Macy's, Nordstrom, JC Penney and Sears.

Creekside Center- This 112 acre site has been approved for the 1.4 million-square-foot Creekside Center project. Evergreen Creekside LLC purchased the property in February of 1998 from Alleghany Properties Inc. for an undisclosed price estimated at \$18,000,000 to \$19,000,000 (about \$3.27 - \$3.90 per square foot, inclusive of bonds). Plans were submitted for a mixed use project including 435,000 square feet of office space and 694,100 square feet of retail. The builders also requested approval for 279 hotel rooms. Donahue Schriber, a Newport Beach shopping center developer, is focusing on the retail aspect of the development first. Located across Galleria Boulevard from the Galleria Regional Mall, a large portion of the retail component of this center was recently completed and is now open to the public. Retailers include Bed, Bath & Beyond, Babies R Us, Best Buy, Old Navy, PF Changs China Bistro, and others.

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

The Preserve at Creekside - This 336-unit apartment community with 1, 2 & 3 bedroom units opened February 8, 1999. A total of 560 units will be located along Antelope Creek in the North Central Roseville Specific Plan. The 336 already completed units comprise the first Phase. This project is in the North Central Roseville Specific Plan area.

Sunset Christian Center - This is a new 60,000 square foot facility which includes a church, daycare facilities, and meeting rooms. It is located in Rocklin, just east of the Highland Reserve North Specific Plan area.

Stanford Crossings Center/Home Depot Power Center Site - Active development has been steadily proceeding in proximity to the intersection of Stanford Ranch Road and Five Star Boulevard. The Stanford Crossings Center now includes a Costco, Toys-R-U's, Ross, Sports Authority, Cost Plus and a number of restaurants. A second Home Depot for the north Roseville area is under construction at the adjacent site. This development is located in the Highland Reserve North Specific Plan.

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Blue Oaks Town Center - This shopping center complex, fronting Blue Oaks Boulevard and Lonetree Boulevard, is planned for 772,800 square feet of space, including retail, garden center, restaurants, theater, office space, and a hotel. This complex is situated approximately one mile northwest of the Highland Reserve North Specific Plan area.

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

Hewlett Packard Manufacturing Plant - In 1999, Hewlett Packard leased 770,000 square feet of space at the northeast corner of Blue Oaks Boulevard and Industrial Avenue. The new facility houses H-P's Enterprise Systems Group that manufactures the HP 9000 Unix-based and HP 3000 computer systems for commercial customers. Several hundred employees work at this expansion site.

The Hewlett Packard Master Plan area is situated in the southwest quadrant of Blue Oaks Boulevard and Foothills Boulevard in the North Industrial Planning Area. The Hewlett-Packard Master Plan, adopted by the Roseville City Council in 1996, is a comprehensive plan for the undeveloped portion of Hewlett-Packard's 500-acre Roseville campus. The Master Plan will allow the ultimate development of approximately 4.25 million square feet of light industrial and commercial buildings resulting in employment for approximately 13,800 on-site workers. Several hundred workers now occupy the AR-21 building, the first facility expansion approved administratively.

Agilent Technologies - Agilent Technologies, Inc., a new company created by Hewlett Packard last year, is now occupying 68,000 square feet in a new office building in Roseville's Creekside Ridge Business Park just off Highway 65 and Galleria Boulevard.

PRIDE Industries - PRIDE Industries, now employing 2,800 in the Sacramento region, is building a new 190,598 square foot facility at the far northern boundary of the City of Roseville on Foothills Boulevard across the street from PASCO Scientific. The consolidation of their new operations would include two-story offices in front of, and connected to, a production/distribution facility. The site, purchased from Stanford Ranch Properties, has room for future production, distribution and storage yards.

Cemo Business Park - CEMO Business Park, located at the northwest corner of Foothills and Blue Oaks Boulevards, includes plans for 12 buildings on 13.9 acres in the North Industrial Area of the City. The 146,880 square feet of space is planned to serve small industrial and office tenants.

Chevron, Shell & Union 76 Gas Stations - Just west of the CEMO Business Park near the Foothills and Blue Oaks intersection is a Chevron Gas Station and a Union 76 Station approved by the City of Roseville. Shell Gasoline has already constructed and opened a gas station at the

southeast corner of Blue Oaks and Foothills Boulevard behind which the Blue Oaks Technical Center is being developed.

Eskaton - Eskaton purchased a 52 acre site in the North Roseville Specific Plan, Phase 1 area for Eskaton Village, a campus for those transitioning to or in need of some level of assisted living or continuing care. Proposed accommodations will include clustered or attached residences, apartment residences, assisted-living apartments, a nursing facility and an adult day-care center. The buildings will be in single and multi-story configurations and connected by interior roads and walking paths. A community center will include the common areas and administrative offices. The project includes up to 400 attached dwelling units, up to 200 assisted-living units, up to a 100-bed skilled nursing facility, day-care center including adult day health care center with an average daily attendance of sixty (60) clients, home health care agency, administrative offices, and recreation facilities such as a fitness center. Ancillary uses may include hosting classes for the larger Roseville community on topics of interest to elders and care givers, corporate offices, use of meeting rooms by public and not-for-profit organizations, and outpatient continuing therapy following discharge from the nursing facility.

St. Clare's Catholic Church and School - This site is located within the Woodcreek West (Neighborhood D) area, located near Baseline and Fiddymont (at the Junction Boulevard extension).

Fiddymont Road Improvements - The City of Roseville is proposing a safer alignment of Fiddymont Road for travelers. Improvements will begin with construction of the North Roseville Phase II improvements.

Del Webb Sun City Roseville - This development, Del Webb's first non-desert community for active adults aged 55 and older, was approved for 3,100 homes and sold out several years ahead of schedule. The community features a 52,000 square foot recreation lodge and a 27-hole golf course with restaurant and bar. Sun City Roseville is now home to more than 5,000 residents. This development is located just southwest of the subject CFD.

Sutter Terrace Affordable Housing - This seniors apartment complex, also located in the Del Webb Specific Plan area, opened for leasing in 1998 and is now 100% leased. The unit caters to senior citizens with limited incomes. Although part of the Del Webb Specific Plan, the complex was developed by a private company that provides investors with tax credits in exchange for developing affordable housing.

Pleasant Grove Community Church - This 25,460 square foot facility is situated on a 7-acre parcel located at the intersection of Pleasant Grove Boulevard and Fiddymont Road in the Del Webb Specific Plan. Construction began in 1999, and the church opened to parishioners in June 2000.

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Other Projects Under Construction – Additional commercial projects under construction in Roseville comprise over 800,000 square feet of space. The various land uses include retail stores, restaurants, daycare facilities, and office projects.

Site Characteristics

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

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

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

There are no Alquist-Priolo Special Studies Zones in the Sacramento area, as defined in Special Publication 42 issued by the California Department of Conservation, Division of Mines and Geology.

No active faults are located under or near the property; however, strong earthquakes generated along any of the active California faults may affect the sites, depending on the magnitude of the quake and the location of the epicenter. In general, the effects are confined to shaking and/or acceleration (shock waves), and can be minimized by adequate design and construction procedures.

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

Assessor's Parcel Map. The assessor's parcel map can be found on the following page.

Sound Attenuation. There is an existing electric power generating facility located just northeast of the subject's northern border. The facility is owned by the Northern California Power Agency and the City of Roseville. It is a combustion turbine facility which is licensed to operate 877 hour per year. The plant uses two combustion turbines similar to jet engines. As a condition of rezoning, the developers are required to mitigate for operational sound. A portion of the bond proceeds will be used for sound attenuation improvements including soundwalls, sound attenuation enclosure and related improvements.

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Flood Zone Designation. The Federal Emergency Management Agency (FEMA) uses the flood zone designation of "AE" to define areas determined to be within a 100-year flood plain. Some open space parcels within the subject property area may be in AE-designated areas, as shown in the Initial Study and Negative Declaration, Woodcreek East, prepared by Roseville Planning Department on October 29, 1999. According to the report, potential impacts associated with drainage and flooding are considered less than significant. Therefore, the appraisers are assuming that project grading and drainage improvements will remove all lot pads from flood hazards. Please refer to the extraordinary assumptions of the report.

The remaining parcels contained within the subject property area have a flood zone designation of "X" defined as areas determined to be outside the 500-year flood plain as shown on Community Panel No. 06061C-0394F, Map Revised June 8, 1998, and Community Panel No. 06061C-0413F, Map Revised June 8, 1998.

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

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

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

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

TAX CODE AREA	RATE (%)
05-001	1.042716
05-004	1.042716

A tax rate of 1.05% is used in the subsequent appraisal analysis, plus the anticipated annual charges for the bond district. The table below lists the assessor parcel numbers (APN), the current assessed values for the 1999/2000 tax year, and the existing taxes.

APN	017-114-060	017-114-061
Parcel Size (Acres)	179.6	12.9
Assessed Land Value	\$3,918,000	\$282,000

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APN	017-114-060	017-114-061
Taxes and Levies	\$40,853.60	\$2,940.46
County General Tax (1.0%)	\$39,180.00	\$2,820.00
City of Roseville Elementary School District (0.020503%)	\$803.30	\$57.82
Roseville High School (0.022213%)	\$870.30	\$62.64
Estimated 1999/2000 Taxes and Direct Levies	\$40,853.60	\$2,940.46

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

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

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

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

City of Roseville Elementary Bond Code 357. This school bond commenced in the 1992/1993 tax year and extends through August of the year 2017. It is applied on an ad valorem basis at a rate of 0.020503%.

Roseville High School Bond Code 364. This general obligation bond has three series of debts being phased in through the year 2023. The maximum tax rate for all three series is 0.022213%. The duration of each series is outlined below.

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

Woodcreek East Proposed Improvements

The purpose of issuing the Woodcreek East Community Facilities District No. 1 Special Tax Bonds is to fund infrastructure facilities necessary for development of the property within the district. These facilities include:

◆ **Transportation Improvements:**

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

◆ **Wastewater System Improvements**

Pipeline and appurtenances; manholes; tie-in to existing main line; and related sewer system improvements.

◆ **Water System Improvements**

Water distribution facilities including waterlines and appurtenances, gate valves, pressure reducing stations, flow meters, fire hydrants and related water system improvements.

◆ **Drainage System Improvements**

Includes drainage and storm sewer improvements including pipelines and temporary detention/retention basins and drainage pretreatment facilities, or any off-site improvements as necessary to serve the property.

◆ **Park Improvements**

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

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◆ Open Space Improvements

Authorized facilities include any and all improvements to open space located within Woodcreek East CFD No. 1, including, 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 the development within the CFD including, 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.

◆ Recycled Water System Improvements

Includes pipelines and appurtenances, gate valves, flow meters, booster pump pressurization system and related recycled water system improvements.

◆ Other

In addition to the above facilities, other incidental expenses include: the cost of planning and designing the facilities; engineering and surveying; construction staking; utility relocation and demolition; 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 and payment of taxes; reimbursements to other areas for infrastructure facilities serving the Woodcreek East Project; and incidental expenses related to the construction, completion and inspection of the facilities.

The maximum annual special tax will be \$584,335, or \$1,669.53 per unit⁵. All units being taxed are “low density residential” (LDR) lots. The annual tax amount may vary from year to year over a maximum 35-year term but may not exceed the originally set maximum amount.

⁵ Source: Woodcreek East CFD No. 1, Attachment 1, Maximum Special Taxes, dated 8/15/00 prepared by Economic & Planning Systems. The maximum tax per parcel is based 350 lots. If the number of lots changes, the tax per lot will change. The tax per lot per month is \$139.

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Open Space: Open Space and Park Parcels A, B, C & D consist of parks, wetlands and open space areas bordering Pleasant Grove Creek. These greenbelts are typically incorporated as an amenity in the Roseville market, with home prices (and hence, land prices) often reflecting a premium because of the open space attributes. No value has been assigned to lands within this use category as they will not be subject to the special tax.

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

Major community plans areas have been approved and are resulting in major construction and development in Roseville, Rocklin, and Lincoln. These communities offer the largest concentration of quality planned developments in the Sacramento region and can accommodate extensive residential, commercial, and industrial growth. The 1987 completion of the Highway 65 Bypass, which now links Interstate 80 to all of these areas, significantly spurred this growth.

Overall, the subject CFD neighborhood is well located within this planning area, and in relation to the freeway, major services, and residential development. The regional mall development and other commercial development in Roseville will continue to enhance development throughout this area. The economic future for Roseville and the surrounding South Placer communities should continue to be very attractive.

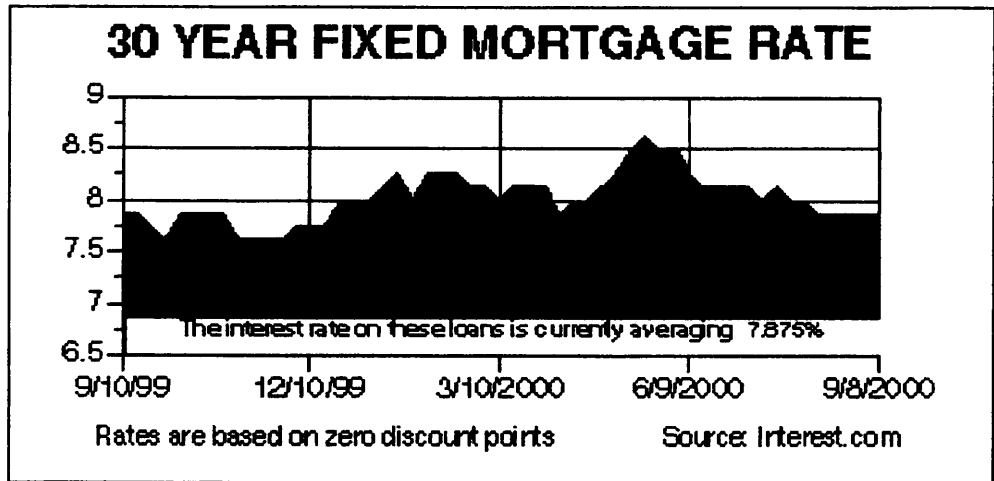
IV. ABSORPTION STUDY AND PROJECTION

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

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

Gross Metro Product (GMP). The GMP is similar to the gross domestic product, but measured on a metropolitan basis; it is an excellent gauge of regional health. The GMP measures spending in four categories: total consumption, gross private (or fixed) investment, government purchases, and net exports. A large government sector makes the Sacramento MSA (Sacramento, Placer and El Dorado Counties) a more stable economy than both Northern California and the United States. From 1994 to 1997 the Sacramento MSA experienced an average growth of 2.85%, slightly below the United States (average growth of 3.28%) and significantly below Northern California (average growth of 3.95%). According to Regional Financial Associates, real GMP growth in the Sacramento MSA was 6.05% in 1998 and 4.4% in 1999. The estimated growth rate for 2000 is 3.1%. Forecasts indicate that the region will experience an average GMP growth rate of approximately 2.5% over the next four years. Overall, the strong projected Sacramento MSA GMP growth (stronger than that of both the United States and Northern California in 1999) is expected to contribute to favorable economic conditions for the development of all Roseville projects.

Interest Rates. Low mortgage rates increase the loan size for which a borrower can qualify and lead to more aggressive home-buying activity. National and local housing markets were bolstered considerably in late 1998 and early 1999 when mortgage interest rates dipped below 7% (30 year

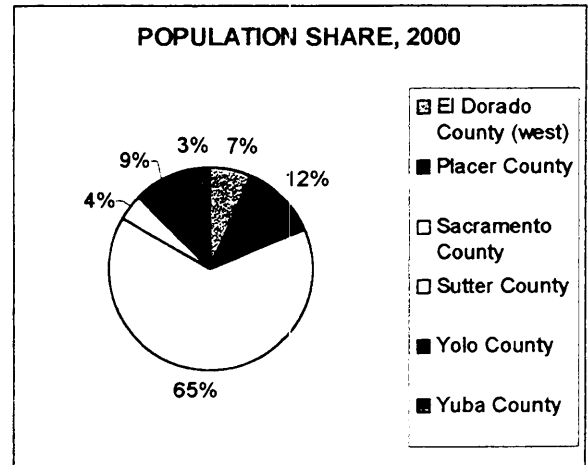


fixed rate) for the first time since a brief period in 1993. Since then, however, the Federal Reserve has been increasing interest rates, and the 30 year rate has been as high as 8.33% in both February and May, 2000 (Source: FNMA). Although this 20% interest rate increase has to have had some effect on mortgage financing, sales in the various Sacramento new home markets have remained strong. The question becomes one of how much stronger they would be if interest rates were

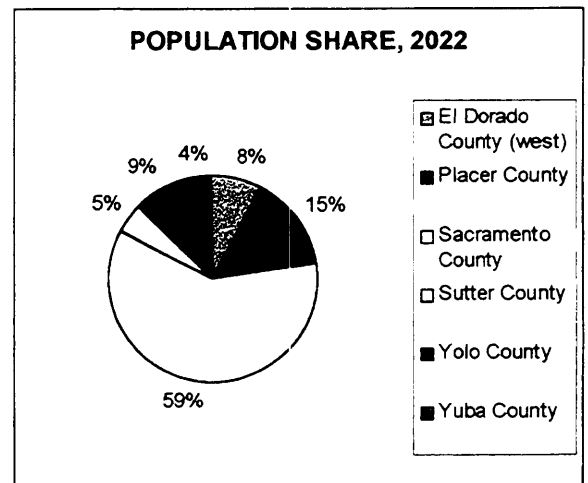
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lower. Very recently mortgage rates have declined to less than 8%, and this decline should contribute to a continuation of the strong home sales trend. No further Federal Reserve tightening moves are anticipated as we proceed towards the presidential election, and many observers feel that interest rates will decline further.

Population Growth. SACOG has projected future population growth for the region. Their projections appear to be reasonable, based on both historical data and future regional economic expectations. According to SACOG, total regional population is expected to grow from 1,721,000 (2000) to 2,463,000 (2020), an increase of 43 percent over the 20 year period. Over 56% of this total population growth will occur in Sacramento County. The next largest population growth area is projected to be Placer County, with 23% percent of the total.



Sacramento County's projected large population growth notwithstanding, relative population densities will shift over the 22-year period, and the locus of population density will move north and east. The second chart to the right shows the percent of total population each respective area is expected to contain in the year 2022, relative to the year 2000 (first chart). Said differently, the rate of population growth will be higher in Placer County and some other counties, relative to Sacramento County.



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

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ROSEVILLE POPULATION GROWTH AND PROJECTION		
Year	Population	5 Year Growth Rate
1990	43,900	
1995	56,500	29.7%
2000	79,100	40.0%
2005	100,000	26.4%
2010	106,600	6.6%
2015	106,900	0.2%
2020	106,800	-0.1%

Employment. The size of the labor force that exists within the City of Roseville continues to grow, as would be expected given the general growth in population. The chart below tracks this growth. Of significance is the fact that there exist over 45,000 jobs within the city, which means that there are at least 1.3 jobs for everyone within the city's workforce. In other words, more persons commute into Roseville than commute out of Roseville. Over 11,000 of these jobs have been added during the last four years, according to the city's own statistics.

ROSEVILLE WORK FORCE GROWTH AND UNEMPLOYMENT HISTORY			
Year	Work Force Size	Growth in Work Force (%) (2)	Unemployment Rate
2000 (1)	33,000	5.9%	3.4%
1999	31,170	4.3%	3.8%
1998	29,890	2.2%	4.3%
1997	29,240	4.5%	4.8%
1996	27,990	3.3%	5.6%
1995	27,090	3.1%	6.5%
1994	26,280	--	6.9%

(1) Through August 2000.
(2) Year over year. Total Growth, 1994 to mid-2000 has been 26%.
Source: California EDD tables.

The city's major employers, as shown in charts included earlier in this report are presented here again for convenience. Hewlett-Packard, the "number one" employer, owns 1.5 million square feet of buildings and leases over another 3 million square feet to house its Roseville operations. Union Pacific Railroad, another major employer, made a \$142 million investment in its Roseville railyard during 1999; this is their largest facility in the western United States.

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LARGEST EMPLOYERS IN ROSEVILLE

(Ranked by number of employees)

	Company or Agency	No. of employees in Placer County (in full-time equivalents)	Annual payroll (including benefits)	Type of business or service
1	Hewlett-Packard Co.	6,000	\$245.5 million	Design, manufacture, market recycle and support computer-related products
2	PRIDE Industries	2,800	\$35 million	Mail services and fulfillment, facility support services, and light manufacturing
3	NEC Electronics Inc.	1,500	WND	Manufacture semiconductor devices
4	Sutter Health	1,500	\$78.07 million	Healthcare
5	Kaiser Permanente	1,394	WND	Healthcare
6	Union Pacific Railroad	1,294	\$60 million	Freight railroad
7	Roseville Joint Union High School District	980	\$26.9 million	Public high school district
8	City of Roseville	870	\$48.14 million	City government
9	Roseville Communications Co.	688	\$31.8 million	Telecommunications
10	Roseville City School District	625	\$23.6 million	K-8 city school district
11	Agilent Technologies	450	N/A	Provide repair for test and measuring of equipment development integrated circuits.
Notes: Information for this list was provided by representatives of companies and by the Placer County Office of Economic Development.				NA - Not available WND - would not disclose
<i>Business Journal, 1999; Bender Rosenthal</i>				

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

Absorption Competition. Residential development in the Roseville area will be competing with likely development in many other areas within the region over the next 20 years. Therefore, absorption of

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residential-designated land constitutes one of the major variables when projecting absorption of entitled land. The term “absorbed”, for purposes of this assignment, refers to the concept of land being taken out of a long term holding inventory. Generally, this would be the point at which building permits could be pulled, construction should be imminent, and home sales would be anticipated within nine to twelve months.

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

ESTIMATED REMAINING HOLDING CAPACITIES (DUs) OF COMPETING RESIDENTIAL AREAS	
Roseville	15,800
Rocklin	13,200
<u>Highly Competitive Areas:</u>	
Folsom	11,500
Landpark/Pocket/Meadowview	5,300
Western El Dorado County	37,200
Davis	<u>4,100</u>
Category Total	87,300
<u>Moderately Competitive Areas:</u>	
North Natomas CFD area	27,700
Elk Grove	16,500
Lincoln	17,300
Auburn	<u>7,300</u>
Category Total	68,800
<u>Marginally Competitive Areas:</u>	
South Natomas	9,000
Antelope	4,200
Vineyard	21,300
Franklin/Laguna	29,400
Citrus Heights	2,200
Downtown	7,600
South Sacramento	10,100
West Sacramento	15,300
Woodland	8,300
Rancho Murieta	<u>3,000</u>
Category Total	110,400

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

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

Macro Factors Conclusions. The regional area has a huge supply of potential development land that could offer competition to Roseville development. However, this is the only macro factor that offers any sort of negative influence on Roseville development. Economic, population and employment factors all are favorable with respect to likely Roseville residential land absorption.

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

The Absorption Study Area: Woodcreek East. The Woodcreek East study area is a single-use project that will contain 350 single-family residential units when fully built-out. Additionally, it will contain 92+ acres devoted to open space, landscape corridor and park uses. All of the study area is held by a single owner. A Mello-Roos Community Facilities District (CFD) will fund the basic infrastructure costs associated with the project.

CFD Boundaries and General Description. The CFD will have boundaries that are the same as those now already delineated as Woodcreek East, within the Roseville North Industrial Planning area with the exception of one, 7.3 acre parcel being held for the developer’s personal use. The district is located about 5 miles northwest of downtown Roseville and will be primarily accessed by a recently constructed extension of Woodcreek Oaks Boulevard. Generally, this area is situated east of this Woodcreek Oaks Boulevard extension and immediately south of the Roseville / Placer County line. Areas to the south and east are zoned for light industrial use. This North Industrial Planning Area contains many of the large floor plate industrial buildings that provide the local employment discussed elsewhere in this report.

The North Central Area, east of the North Industrial Planning Area and south of Highway 65, is a multi-use area that is developing at this time. The area includes 606 acres of residentially zoned land that is about 1/3 built out. The area also includes about 338 acres of commercial land that can support about 3.3 million square feet of retail space. About 1.1 million square feet of this total is attributable to the Galleria Regional Mall, which opened in August, 2000. Major tenants there include Macy’s, Nordstrom, JC Penney and Sears. This center and adjacent commercial development should foster rapid residential development in the surrounding areas. The area also includes 206 acres zoned for office use, and 84 acres zoned for industrial development.

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Another planning area east of the subject is the **Highland Reserve North**. Approximately 1,770 dwelling units are approved for this area, and grading is underway for many of them.

Regional Land Supply (Other than Roseville). An overview of the residential land supply available throughout the region was provided earlier in this analysis. The closest competitive area to Roseville is the city of Rocklin, which currently has 2,500 acres of vacant, residentially zoned land that could accommodate up to 13,200 dwelling units. Other south Placer County communities are judged to have less influence on the Roseville residential absorption potential.

The Rocklin areas east of the subject property and east of the City of Roseville are known as Sunset West and Stanford Ranch. Development there includes the Atherton Industrial Park and several major industrial campuses, including those for Herman Miller Furniture and Oracle. Also, this area contains, or has approved, over 1,500 single family lots and 675 apartment units.

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

Roseville Land Supply. It is a consensus opinion that the remaining supply of residential land should be almost totally absorbed over the next six years or so. Studies commissioned by the City of Roseville (Hausrath Economics Group, et al) suggest this. Also, the table below projects a total absorption within six to seven years, if the 1998 building permit pace is maintained. If some segregation of less desirable lots in the older subdivisions and in the infill area were made, the absorption of the remainder would obviously progress at an even faster rate. Also, some portion of the older existing housing stock could be demolished during that time period, with a replacement rate of less than 100%.

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ROSEVILLE LOT INVENTORY (As of 6/30/00)					
Plan Area	Capacity Not Yet Approved	Vacant Lots	Sub-total	Lots Under Constr.	Total DU's Avail.
Old Roseville					
Infill Area	0	846	846	0	846
East of I-80:					
NERSP	144	5	149	25	174
SERSP	368	124	492	124	616
SRSP	1757	1053	2810	0	2810
West of I-80:					
NCRSP	670	1599	2269	574	2843
HRNSP	1770	0	1770	0	1770
NWRSP	161	769	930	415	1345
DWSP	0	367	367	40	407
NRSP-1	<u>3190</u>	<u>1750</u>	<u>4940</u>	<u>0</u>	<u>4940</u>
TOTALS	8060	6513	14573	1178	15751
Total Absorption Time at 2000 units/year:				8.0 years	
Total Absorption Time at 2500 units/year:				6.4 years	
Total Absorption Time at 3000 units/year:				5.3 Years	
(DUs completed in 1998: 2297)					
(DUs completed in 1999: 2018)					
<i>Source: Quarterly Development Activity Report, Second Quarter 2000, City of Roseville, and Bender Rosenthal.</i>					

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

Since demand for residential housing in Roseville should continue to be very strong for the next five to seven years, absorption within any specific plan area, to some degree, depends on how soon the infrastructure can be installed and builders can have product available. Therefore, it is logical to conclude that projects that come to market now, rather than those that must come to market later, will experience total absorption well prior to the passing of that six-year time frame. The subject CFD is poised to come to market early next year, subject to the infrastructure that is the reason for this CFD formation being installed.

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The appraisers investigated the pace of sales at various Roseville projects that have come to market in 2000. Here is a sample of the sales activity at some of these projects:

Project	Start Date	Approx. Sales/Mo.*
The Summit at Diamond Creek	1/00	9+
The Grove at Woodcreek	3/00	10+
Sonata at Woodcreek Oaks	2/00	16+
Promenade	5/00	19+
Bent Tree	6/00	10+
Portofino at Crocker Ranch	2/00	15+
LaRoche at Crocker Ranch	2/00	6+
Signature Homes	4/00	4+
*Escrows counted as sales.		

The subject property, containing 350 lots, will be marketed as at least two villages, and probably more. If a sales rate of only 10 homes per month per village were projected, the entire development would sell out in 18 months. After considering the “macro” and “micro” factors affecting absorption as well as the above simple analysis, we conclude that a projection of complete absorption of the project is well likely to occur within a two year time period.

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

WOODCREEK EAST CFD NO. 1 Residential Land Absorption Projection				
Lot Type	2001	2002	Totals	
8,180 SF LDR Lots	67.60	36.40	104.00	
8,510 SF LDR Lots	99.45	53.55	153.00	
9,830 SF LDR Lots	60.45	32.55	93.00	
Total, LDR Lots:	227.50	122.50	350.00	
Total, LDR Acres :	57.5	30.9	88.4	
Percent:	65%	35%	100%	

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

V. VALUATION METHODOLOGIES DISCUSSION

Highest and Best Use Analysis. Highest and best use may be defined as the reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value.⁸

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

1. **Legally Permissible Uses.** What uses are permitted legally under existing zoning, land use planning, building codes, historic district controls, environmental regulations, deed (private) restrictions, and long-term lease provisions on the site in question?
2. **Physically Possible Uses.** What uses of the site are physically possible, given its size, shape, area, terrain, soils composition, accessibility, assembly potential, and risk potential from natural disasters?
3. **Financially Feasible Uses.** Which possible and permissible uses will produce a positive net return to the owner of the property?
4. **Maximally Productive Use.** Among the feasible uses, which use will produce the highest residual land value consistent with the rate of return warranted by the market for that use?

Development of the appraised properties will be constrained by the requirements of the North Industrial Planing Area and the Woodcreek East sub-area. The recently adopted general plan amendment, rezone, and development agreement further detail the planned development within the sub-area. Although some use changes might occur, developers generally will have to adhere to the land use designations that have been applied to their properties. Therefore, the general plan amendment, rezone, and development agreement really determine the highest and best use mix within the subject property development.

Sales Comparison Approach to Valuation. Appraisal valuation is usually attempted using three primary methodologies that are widely accepted within the profession, called "approaches". Two of these, the Cost Approach and the Income Approach, are best suited for the valuation of improved, income producing properties, and therefore are of limited use in this appraisal assignment involving unimproved land parcels. The Sales Comparison Approach, however can be applied to both improved or unimproved real property interests, as long as similar interests of other properties have, in fact, sold in the market. The Sales Comparison Approach methodology involves the accumulation of sale data of comparable properties, the analysis of each sale, and the adjustment of each sale, relative to the subject property, for conditions such as favorable seller financing, changes in market conditions, and

⁸THE APPRAISAL OF REAL ESTATE (Eleventh Edition), Appraisal Institute, Chicago, Illinois, 1996, p. 297.

dissimilar physical or other characteristics. This is the only standard approach that can be used in this assignment.

The various sales comparables within each lot size category are adjusted relative to a typical, albeit hypothetical, subject parcel. Then, further adjustments are made, if and as necessary, to value an individual parcel relative to the typical parcel. In this manner, a retail value, free and clear of bonds, is derived for each valued property, as well as a retail value subject to special tax.

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

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

Paper Lots. The lot sizes and number of units were introduced earlier on in the report. A relatively large open space easement area is surrounding the development's perimeter on three sides. These greenbelts are typically incorporated as an amenity in the Roseville market, with home prices (and hence, land prices) reflecting a premium because of the open space. No value has been assigned to this land category and it will not be taxed with a special tax.

Non-Residential Properties to be Absorbed in the Future. There are no commercial properties designated within the subject CFD.

Exempt Parcels. The *Rate and Method of Apportionment Special Tax (08/15/00)* as prepared by Economic and Planning Systems defines Tax-Exempt parcels as "any Parcel that is (1) publicly owned, and (2) is normally exempt from the levy of general ad valorem property taxes under California law, including: public streets; schools; parks; and public drainage ways, public landscaping, greenbelts, and public open space." In this analysis, no value is assigned to the exempt parcels.

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

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

The pace of absorption for the single family homes is based on the anticipated pace of home sales. Our comparative sales analysis uses "paper lot sales" of purchases ranging in size from 38 to 351 lots. Typically, the lots are contracted with a non-refundable deposit, and then transferred on specific dates, e.g., April 2000 and August 2000. Inherent in the purchase price is a "discount" or a deduction for holding the lots until they can be sold. These costs include taxes, insurance and bond payments and "opportunity cost" discounting.

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

The absorption properties can then be merged with the retail value analyses, and the resulting future net sales proceeds that are projected for each future year can be discounted at an appropriate rate to determine the free and clear value estimate. Based on our interviews with developers and investors, we estimate that the appropriate discount rate is in the range of a 12% to 15% *real rate of return*⁹, and we have selected a discount rate of 12%, as further discussed later in this report.

In this appraisal, future retail prices are expressed in 2000-dollar terms (no inflation is projected), and therefore the discount rate need not include an inflation premium component.

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

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

⁹ A real rate of return is an inflation adjusted rate of return. If inflation were expected to remain at the 3% level, more or less, then the equivalent nominal (unadjusted) rate range would be 15% to 18%. We have used a real rate of return so as to avoid having to also adjust future retail values for inflation.

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

Using primarily the sales comparison approach to value, we have determined retail values for the 350 LDR lots that will exist within the Woodcreek East CFD area, once final maps are filed. Although the lots are not available for immediate development, they are nevertheless valued as if ready for development, or at least ready for marketing to a developer or merchant builder. The retail values of the lots are then discounted, using discounted cash flow analyses, deducting for holding costs to determine the value to a hypothetical single buyer. Finally, these values are presented in summary form. The discounted cash flow analyses rely on a projection of future absorption of these lots. This projection is contained in the previous section of this report. The following sub-sections present the logical steps in our analyses. The definitions of the *Free and Clear Value; Fee Simple Value*, and the *Value Subject to Special Tax Liens* are introduced below.

The Methodology Leading To The Free And Clear Value:

1. Retail Sales Adjustments and Retail Value Determination.

- ◆ A rational buyer would purchase the property, and install the improvements bringing the 350 lots to a developable stage. The cost to install the facilities plus the retail value subject to fees and assessments represents the subject's retail free and clear value. In this case, we will add the cost of the improvements, (\$4,314,300 or \$12,326 per lot) to the previously concluded retail value subject to special tax liens.

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

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

- ◆ Future absorption is projected and retail values are discounted accordingly.
- ◆ Note that *no special tax payments* should be taken into account in the discounting; this is purely a free and clear analysis.

As always the assumption is made that the various infrastructure and other improvements that the bonds are to pay for have been fully completed.

The Methodology Leading to “Fee Simple Value Subject To Special Tax Liens:”

1. Retail Sales Adjustments and Retail Value Determination.

- ◆ First, we adjust any comparable sales of properties which are not subject to a special tax, or which are subject to a special tax with annual payments significantly different than those of the subject, so as to be equivalent to the subject with its special tax load. *This adjustment is based on how the market perceives the special tax effect, and is not necessarily equal to the amount of corresponding bonded indebtedness.*
- ◆ Next, we adjust for any “wholesale” effects (e.g., buyer purchasing more lots than he can use at one time, meaning that he is really purchasing at least some of them “wholesale”, or at a discount, in his view of the transaction. Another way of saying this is that he is buying at a price at which he can endure additional future carrying costs until the development of the lots is feasible).
- ◆ Finally, we adjust the comparable sales for differences in quality and physical characteristics, relative to the subject.

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

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

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

As always the assumption is made that the various infrastructure and other improvements that the bonds are to pay for have been fully completed.

VI. COMPARABLES DATA ANALYSES

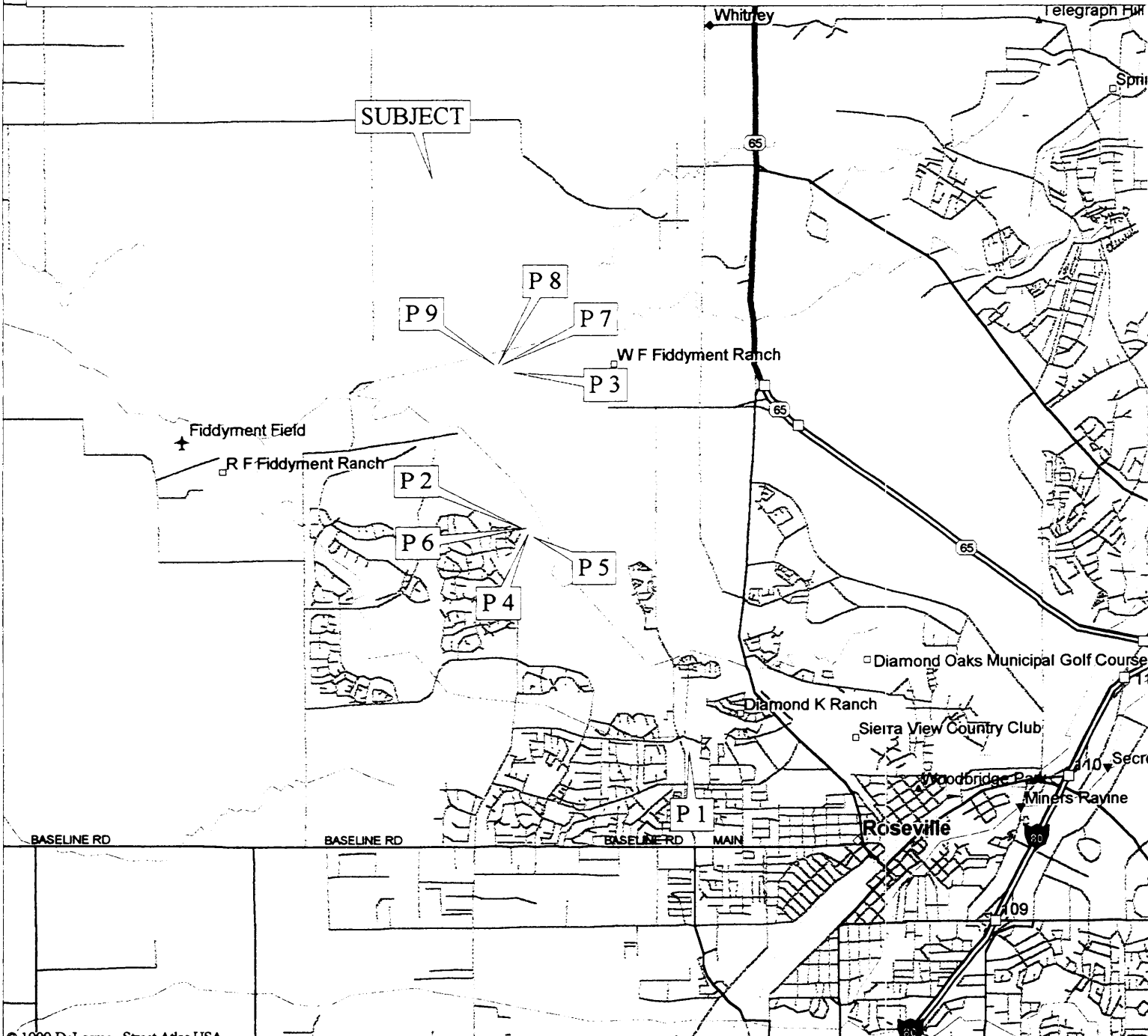
Land Use. The various property classifications that are included in the CFD should be identified prior to presenting comparables data. The prominent land uses within the subject CFD includes single family detached residences and park/open space.

Residential Land Sales. The table below represents the most comparable sales to the subject. The nine sales below range in time from October 1998 to January 2000, and most of these were negotiated six months prior to the close of escrow. These are the most recent sales, and the best comparables for the subject. The lack of supply of developable, entitled land in the Roseville market also contributes to the lack of more recent sales data.

The table below introduces each of the sales comparables, followed by land sales map and a data sheet and analysis for each of the comparables.

RESIDENTIAL LAND SALES SUMMARY						
No.	Location	Sale Date	No. of Lots	Price Per Lot without adjusting for Bonds	Builder	Average Lot Size
P1	Stoneridge, Villages 1, 2 and 5, Roseville	June 1999	351	\$35,000 \$50,000	Lennar Renaissance	6,300 - 6,825 SF 10,000 SF
P2	Woodcreek North Village 1, Roseville	August 1999	85	\$45,000	Richland American Homes	10,000 SF
P3	Woodcreek North Village 3, Roseville	April 1999	109	\$38,000	Signature Homes	9,406 SF
P4	Woodcreek North Village 4, Roseville	November 1998	142	120 lots @ \$34,700 22 1/2- Plexes @ \$10,000	Morrison Homes	6,500 SF
P5	Diamond Creek, Village 1A, Roseville	June 1999	146	\$28,000	Woodside Homes	6,825 SF
P6	Diamond Creek, Village 1B, Roseville	May 1999	81	\$35,000	US Homes	6,825 SF
P7	Diamond Creek Villages 2 and 3, Roseville	January 2000	97	\$48,500	Diamond Creek Lot Option LP (Meritage)	7,700 SF
P8	Diamond Creek Village 4, Roseville	November 1998	80	\$47,000	Laing Homes	7,700 SF
P9	Diamond Creek Village 5, Roseville	November 1998	38	\$47,000	Laing Homes	7,510 SF

RESIDENTIAL LAND SALES MAP



© 1999 DeLorme. Street Atlas USA

Mag 13.00
 Mon Oct 09 10:45 2000
 Scale 1:62,500 (at center)
 1 Miles
 2 KM

- | | | |
|---------------------------|--------------------|-------------|
| Local Road | Point of Interest | Cemetery |
| Major Connector | Summit | Water |
| Primary State Route | Geographic Feature | Woodland |
| Interstate/Limited Access | Park/Reservation | River/Canal |
| Exit | Locale | |
| Utility/Pipe | City | |
| Railroad | Private Airport | |

**Woodcreek East Community Facilities District No. 1 Properties
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Identification, Paper Lot Sale 1

Location: Stoneridge, Villages 1, 2 and 5
APN: Por of 046 060 006 510
Por of 046 060 019
Por of 046 060 020
Por of 046 070 014
Por of 046 070 015

Grantor: AKT Development
Grantee: Lennar Renaissance

Site Characteristics

Zoning: R1; Planned Development
Number of Lots: 351 Lots
Land Area/Density Factor: 94.02 Acres (3.73 du/acre)
Typical Lot Sizes: 6,300 – 6-825 SF, and 10,000 SF
Off Site Improvements: Utilities stubbed to pad
Amenities: Open, rolling topography
Assessments: None, no bonds required for infrastructure

Sales Characteristics

Property Rights Transferred: Fee Simple Estate
Conditions of Sale: Arms Length
Sale Date: June 3, 1999
Prior Sales History: No previous transfers
Sale Price: \$13,695,000
Terms: All Cash to Seller
Price Per lot: \$35,000 and \$50,000 per lot
Site Development Costs: Unknown
Price per Finished Lot: Unknown

Confirmed By: Chuck Todd, Lennar Renaissance
Market Time: Unknown

Comparable Paper Lot Sale P1 is located within the Stoneridge Specific Plan area, off East Roseville Parkway. This property sold in June 1999 for \$35,000 and \$50,000 per “paper lot”, on a free and clear basis (this property is not encumbered by bonds.) There were 94, 10,000 square foot lots purchased for \$50,000 per lot. The buyer, Lennar Renaissance plans on developing move-up, upper end homes. The original purchase price was negotiated almost a year prior to closing. The seller, AKT Development

***Woodcreek East Community Facilities District No. 1 Properties
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was responsible for negotiating and mitigating existing wetlands. During the one-year escrow, the sales price was never renegotiated.

The property is adjacent to developed areas of Roseville. Access from Sierra College Boulevard and East Roseville Parkway will be excellent upon completion of the arterials. The topography is irregular, with scattered oaks throughout the property. Currently, the site is being graded with in track improvements to be completed by the end of October 2000. Lennar expects to be constructing models for the Spring 2001 season.

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Identification, Paper Lot Sale 2

Location: Woodcreek North Village 1
APN: 481 020 001
Grantor: Sammis Roseville Associates
Grantee: Richland American Homes

Site Characteristics

Zoning: R1, Planned Development
Number of Lots: 85 Lots
Land Area/Density Factor: 28.50 Acres (3.0 du/ac)
Typical Lot Sizes: 10,000 SF
Off Site Improvements: Stubbed to pad
Amenities: Manly lots are adjacent to an open space reserve
Assessments: \$922 per Unit (Mello Roos)

Sales Characteristics

Property Rights Transferred: Fee Simple Estate
Conditions of Sale: Arms Length
Sale Date/Doc #: August 2, 1999/68784
Prior Sales History: None over the three previous years
Sale Price: \$3,825,000
Terms: All Cash to Seller
Price Per lot: \$45,000
Site Development Costs: \$46,000 per lot (estimated)
Price per Finished Lot: \$91,000

Confirmed By: Doug Elmore (Broker), Metro Scan
Market Time: Not Available

The Woodcreek North area is located between the highly successful Del Webb's Sun City project on the west, the 500 acre Hewlett Packard Campus to the east, and bordered on the north by the 101.2 acre Pleasant Grove Creek Park and Open Space. Minimum lot sizes are 70 ft. by 100 ft. with the average lot size being 10,000 SF. The property sold with tentative map approval. Richmond American Homes entered into an agreement in April of 1999 with a close date of August 1999. The bonds and assessments impacting this property are generally similar to the subject. The buyer is developing move-up type homes.

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Identification, Paper Lot Sale 3

Location: Woodcreek North, Village 3
APN: 017 230 038, 039
Grantor: Sammis Roseville Associates
Grantee: Signature Properties Inc.

Site Characteristics

Zoning: R1, Planned Development
Number of Lots: 109 Lots
Land Area/Density Factor: 150 Acres (3.8 du/ac)
Typical Lot Sizes: 8,050 square feet minimum, 9,406 Average SF
Off Site Improvements: Stubbed to pad
Amenities: Minimal
Assessments: Maximum Mello Roos Tax of \$922 per unit

Sales Characteristics

Property Rights Transferred: Fee Simple Estate
Conditions of Sale: Arms Length
Sale Date/Doc #: April 30, 1999/038603
Prior Sales History: None over the three previous years
Sale Price: \$4,142,000
Terms: All Cash to Seller
Price Per lot: \$38,000
Site Development Costs: \$40,000
Price per Finished Lot: \$78,000

Confirmed By: Tom Harry/Doug Elmore, Brokers
Market Time: Not Available

This is a bulk sale of 109 lots known as Woodcreek North, Village 3. This village is located in the center of the Woodcreek North project on the southwest quadrant of Woodcreek Oaks Boulevard and Horncastle Avenue, directly across from permanent Open Space and a proposed school site. It was sold to Signature Properties in April of 1999, with terms of the purchase negotiated in February for \$38,000 per lot. It sold with tentative map approval. The property is located in close proximity to Woodcreek Oaks High School and Mahany Regional Park and Aquatic Center. Other amenities include close proximity to the Woodcreek Oaks public golf course and the open-to-the-public Del Webb golf course. The project opened in April 2000, with four floor plans ranging in price from \$270,900 to \$346,900. To date, 2 homes have been completed and 16 are under construction. This represents an absorption of 3.6 units per month (5 months, 18 homes).

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Identification, Paper Lot Sale 4

Location: Woodcreek North, Village 4
APN: 017-230-038 (por)
Grantor: Sammis Roseville Associates (Sares Regis Group)
Grantee: Morrison Homes

Site Characteristics

Zoning: R1, Planned Development
Number of Lots: 120, 60 Ft. x 100 Ft, minimum, Average size 7,000 SF
22, ½ plex affordable housing lots
Land Area/Density Factor: 30.1 Acres (4.72 du/acre)
Typical Lot Sizes: 6,500 SF
Off Site Improvements: All utilities stubbed to pad
Amenities: Minimal
Assessments: Maximum Mello Roos annual tax per unit is \$922 for low density SFR, and \$701/unit for low income units.

Sales Characteristics

Property Rights Transferred: Fee Simple Estate
Conditions of Sale: Arms Length
Sale Date/Doc #: November 12, 1998/0094021
Prior Sales History: No sales within the last three years
Sale Price: \$4,384,000
Terms: All Cash to Seller
Price Per lot: \$34,700 per lot for 7,000 SF lots
\$10,000 per lot for half plexes
Site Development Costs: Unknown
Price per Finished Lot: Unknown

Confirmed By: Doug Elmore, Broker
Market Time: Unknown

This comparable borders Woodcreek Oaks Boulevard and is located just south of Village 3 described earlier. This 142-lot purchase includes both 7,000 square foot lots (on average) and 22 half-plexes, or medium density zoning. The buyer, Morrison Homes entered a purchase agreement in June 1998 with a closing in November of 1998. The lot sale price was \$34,700 not including the value of the bond obligation. The purchase of this comparable was during weaker market conditions. Amenity influences such as a park, or open space does not exist.

**Woodcreek East Community Facilities District No. 1 Properties
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Identification, Paper Lot Sale 5

Location: Diamond Creek, Village 1A
APN: Por. 017 112 069
Grantor: Diamond Creek Partners, LTD
Grantee: Woodside Homes

Site Characteristics

Zoning: R1, Planned Development
Number of Lots: 146
Land Area/Density Factor:
Typical Lot Sizes 6,825 SF
Off Site Improvements: Stubbed to pad
Amenities: Park/Open space
Assessments: Annual maximum Mello Roos tax per unit is \$1,113.

Sales Characteristics

Property Rights Transferred: Fee Simple Estate
Conditions of Sale: Arms Length
Sale Date: June 1999
Prior Sales History: None over the three previous years
Sale Price: \$4,088,000
Terms: All Cash to Seller
Price Per lot: \$28,000
Site Development Costs: \$34,000 (estimated per lot)
Price per Finished Lot: \$62,000

Confirmed By: Tom Harry, Broker
Market Time: Unknown

This subdivision's borders are formed by Fiddymont Road to the west, and Placer County to the north. This 146-lot purchase includes 6,825 square foot lots. The buyer, Woodside Homes purchased the property in June of 1999. The lot sale price of \$28,000 does not include the value of the bond obligation. The annual maximum tax at the time of purchase was \$1,113 per unit. A portion of this comparable's eastern boundary borders a park/open space amenity.

The subdivision began marketing homes in January of 2000. They have six floor plans ranging in price from \$235,815 to \$299,760 per unit. Of the 146 lots, there are 18 homes occupied, 37 under construction and 24 pending sales. This equates to an absorption of 9.88 units per month (includes pending sales as "absorbed"). Bond levels are disclosed as \$122 per month or \$1,464 annually.

**Woodcreek East Community Facilities District No. 1 Properties
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Identification, Paper Lot Sale 6

Location: Diamond Creek, Village 1B
APN: Por 017 112 033
Grantor: Diamond Creek Partners, LTD
Grantee: US Home Corporation

Site Characteristics

Zoning: R1; Planned Development
Number of Lots: 81 lots
Land Area/Density Factor: 25.08 Acres (3.39 du/ac)
*Density based on 85 mapped lots which represent the final lot count. The sales price was based on 81 lots.
Typical Lot Sizes: 6,825 square feet
Off Site Improvements: Utilities stubbed to the pad.
Amenities: Minimal
Assessments: Maximum annual Mello Roos tax was \$1,113 per lot.

Sales Characteristics

Property Rights Transferred: Fee Simple Estate
Conditions of Sale: Arms Length
Sale Date/Doc #: May 28, 1999 COD/ 48825
Prior Sales History: None over the three previous years
Sale Price: \$2,835,000
Terms: All Cash to Seller
Price Per lot: \$35,000
Site Development Costs: \$34,000 per lot (Estimated)
Price per Finished Lot: \$69,000

Confirmed By: Tom Harry, Broker
Market Time: Unknown

Village 1B, located east of the previous comparables. Placer County forms its northern border: This 81-lot purchase is of 6,825 square feet lots (on average). The buyer, US Homes purchased the property in June of 1999, after the Presley Companies did not complete a previous option to purchase. The lot sale price of \$35,000 does not include the value of the bond obligation.

A portion of this comparable's western boundary borders a park/open space amenity. US Homes began marketing the project in August 2000. Of the 85 lots, there are 3 completed homes. They are marketing 5 floor plans. Prices and sizes were not available. Bonds were disclosed at \$136 monthly payments, or \$1,632 annually.

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Identification, Paper Lot Sale 7

Location: Diamond Creek, Villages 2 and 3
APN: 017 011 029, 41
Grantor: Diamond Creek Partners
Grantee: Diamond Creek Lot Option LP

Site Characteristics

Zoning: R1, Planned Development
Number of Lots: 97 Lots
Land Area/Density Factor: 29.1 Acres (3.33 du/acre)
Typical Lot Sizes: 7,700 square feet
Off Site Improvements: Stubbed to pad
Amenities: Minimal
Assessments: \$1,113 per year Mello Roos Maximum Tax

Sales Characteristics

Property Rights Transferred: Fee Simple Estate
Conditions of Sale: Arms Length
Sale Date: 1/28/00
Prior Sales History: None over the previous three years
Sale Price: \$4,704,500
Terms: All Cash to Seller
Price Per lot: \$48,500
Site Development Costs: Estimated at \$30,000 per lot
Price per Finished Lot: \$78,500

Confirmed By: Tom Harry, Broker
Market Time: Unknown

Diamond Creek, Villages 2 & 3 was purchased in January 2000 by Meritage Homes. The property had previously been in escrow with another merchant builder about nine months prior. Access to the property is via Parkside Way and Opal Drive. Model homes are currently being constructed with marketing commencing November 2000. There will be six floor plans starting from \$299,990 to \$350,000.

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Identification, Paper Lot Sale 8

Location: Diamond Creek, Village 4
APN: Por 017 112 035
Grantor: Polygon Communities
Grantee: WL Homes LLC (Laing Homes)

Site Characteristics

Zoning: R1, Planned Development
Number of Lots: 80
Land Area/Density Factor: 20.10 Acres (3.98 du/ac)
Typical Lot Sizes: 7,700 Square feet
Off Site Improvements: All utilities are stubbed to pad
Amenities: Open space corridor at southern border
Assessments: \$1,113 maximum annual Mello Roos tax

Sales Characteristics

Property Rights Transferred: Fee Simple Estate
Conditions of Sale: Arms Length
Sale Date/Doc #: 11/25/98/98698
Prior Sales History: See Below
Sale Price: \$3,760,000
Terms: All Cash to Seller
Price Per lot: \$47,000
Site Development Costs: Unknown
Price per Finished Lot: Unknown

Confirmed By: Mark Kowanobi, Kevin Carson (John Laing Homes)
Market Time: Unknown

This comparable's southern border is formed by the open space corridor. Sixty-nine (69) 7,510 square foot lots were purchased by Polygon Communities (Polygon Communities was then purchased by Lennar Renaissance.) They were subsequently sold to Laing Homes as part of a large 800-lot purchase in multiple counties. According to our sources, the large purchase did not result in a "bulk" discount. These lots sold for \$47,000 and does not include the value of the bond obligation. The annual maximum tax at the time of purchase is \$1,113. Village 4 enjoys the adjacent open space/oak tree amenity. Topography limits the buildable area to approximately 6,500 square feet. In fact, because of the topography, and the higher lot premiums, the builder anticipated two-story single family residences.

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Identification, Paper Lot Sale 9

Location: Diamond Creek, Village 5
APN: 017 114 034
Grantor: Polygon Communities
Grantee: WL Homes LLC (Laing Homes0

Site Characteristics

Zoning: R1, Planned Development
Number of Lots: 38
Land Area/Density Factor: 10.2 Acres (3.73 du/acre)
Typical Lot Sizes: 7,510 SF
Off Site Improvements: Unknown
Amenities: Minimal
Assessments: Annual maximum Mello Roos tax is \$1,113 at time of purchase

Sales Characteristics

Property Rights Transferred: Fee Simple Estate
Conditions of Sale: Arms Length
Sale Date/Doc #: 11/25/98/98698
Prior Sales History: All cash to the seller
Sale Price: \$1,786,000
Terms: All Cash to Seller
Price Per lot: \$47,000
Site Development Costs: Unknown
Price per Finished Lot: Unknown

Confirmed By: Jack Davidson, Laing Homes; Doug Elmore, Broker
Market Time: Unknown

This comparable is located east of Village 4. Thirty-eight (38) 7,510 square foot lots were purchased by Polygon Communities (Polygon Communities was then purchased by Lennar Renaissance.) They were subsequently sold to Laing Homes as part of a large 800-lot purchase in multiple counties. According to our sources, the large purchase did not result in a "bulk" discount. These lots sold for \$47,000 and does not include the value of the bond obligation.

This comparable does not enjoy a park/open space amenity. Its topography limits the building pad to approximately 6,000 square feet (the entire 7,510 square foot site is not useable). The builder anticipates two-story residential homes on the sites.

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This subdivision is known as Bent Tree and is an extension of Village 4. The project was originally marketed in June 2000. There are 4 completed homes, 18 under construction and 8 sales pending, indicated an absorption of 10 units per month. There are four floor plans ranging in price from \$314,990 to \$378,660. The maximum tax is disclosed at \$111 per month or \$1,332 per year.

Adjustment Categories. No adjustments are required for property rights acquired, financing terms or condition of sale. Some adjustments are necessary for time of purchase, holding costs, Mellow Roos bonds and lot sizes.

Time Adjustment: The comparable sales range in time from November 1998 to January 2000. There has been continued appreciation on the market during the last two years. The median sale price of homes in the Placer market hit \$225,000 up 19 percent from one year ago. This equates to appreciation of 1.58% per month.

In our analysis, we have used appreciation of 8% per year, or 0.67 per month reflecting the appreciation applicable to land.

Builders' Holding Costs. Most of the builders are buying two years of lot inventory. It is logical that they are paying prices that anticipate their own holding costs over their protracted holding periods. Extensive interviews with the homebuilders for the various developments indicated that the average anticipated holding period is approximately 30 months. The approximate monthly residential holding cost for the subject property is \$8,072 per acre per year. During each builder's estimated holding period, the product is anticipated to absorb at a relatively even pace, resulting in an average of 15 months of holding costs for each lot. Therefore, each of the residential sales comparables have been adjusted upward by the average holding costs applicable to the respective lot size and density for the 15 month period. As discussed later in this report, the estimated development and holding period expenses attributed to all of the properties within the CFD for the entire absorption period are included within the discounted cash flow analysis.

The table below summarizes the hold costs per lot size:

Lot Size	Density	Holding Cost Per lot per Month	Total 15 Mo. Holding Cost Adjustment Per Lot	Rounded
8,180 SF Lots	4.3	\$156/Mo.	\$2,346	\$2,300
8,510 SF Lots	4.1	\$164/Mo.	\$2,461	\$2,500
9,830 SF Lots	3.5	\$192/Mo.	\$2,883	\$2,900

Mello-Roos Bonds. Many of the comparables are subject to annual Mello-Roos bond payments, which are ongoing charges to the property concerned, rather than a one-time fee assessed to the property at the time of development. Based upon our findings, the most logical method of accounting for these bonds is to "value" the amount of imputed bond debt being assumed. Therefore, the bond equivalent values are imputed for each comparable using the loan constant for a 7.88%, 25-year loan, or 9.272%,

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the typical rate and amortization of the residential financing. We believe that capitalization at this loan constant reasonably reflects how the market values the effect of these bonds.

Lot Sizes: Each of the lots have been adjusted upward or downward for size, depending on the subject analysis.

The following tables introduce our analysis of each of the three paper lot size categories.

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Subject Data

Size 8,180 SF
 \$/SF \$ 4.00 Size Adjustment 9/00
 Date of Value \$ 17,256 \$1,600 divided by 0.09272
 Bond Conversion 8.00% Annual
 Appreciation 0.67% Monthly

	P-1		P-1		P-2		P-3		P-4	
	Stoneridge		Stoneridge		Woodcreek North, 1A/1B		Woodcreek North, 3		Woodcreek, 4	
Location:										
Unadjusted \$/Lot:	\$ 35,000	\$ 50,000	\$ 45,000	\$ 38,000	\$ 34,700					
Status:	Paper Lots	Paper Lots	Paper Lots	Paper Lots	Paper Lots					
Comparable's Bonds:	\$ -	\$ -	\$ 9,944	\$ 9,944	\$ 9,944					
Value Adjustments	<i>Description</i>	<i>Description</i>	<i>Description</i>	<i>Description</i>	<i>Description</i>	<i>Description</i>	<i>Description</i>	<i>Description</i>	<i>Description</i>	<i>Description</i>
Financing/Concessions:	+ (-) Adjustment	+ (-) Adjustment	+ (-) Adjustment	+ (-) Adjustment	+ (-) Adjustment	+ (-) Adjustment	+ (-) Adjustment	+ (-) Adjustment	+ (-) Adjustment	+ (-) Adjustment
Financing/Concessions:	0	0	0	0	0	0	0	0	0	0
Sale Date:	6/99 \$ 3,513	6/99 \$ 5,019	8/99 \$ 3,916	4/99 \$ 4,323	11/98 \$ 5,096					
# of Lots Purchased:	351	351	85	108	142					
Bonds	\$ (1,600)	\$ (1,600)	\$ (7,280)	\$ (4,904)	\$ 6,720					
Lot Size (SF):	6,500 \$ 6,720	10,000 \$ (7,280)	10,000 \$ (7,280)	9,406 \$ (4,904)	6,500 \$ 6,720					
Holding Costs	\$ 2,300	\$ 2,300	\$ 2,300	\$ 2,300	\$ 2,300					
Net Adjustment:	\$ 10,933	\$ (1,561)	\$ (1,064)	\$ 1,719	\$ 14,116					
Paper Lot Value	\$ 45,933	\$ 48,439	\$ 43,936	\$ 39,719	\$ 48,816					
% Adjustment	31%	-3%	-2%	5%	41%					
Average Lot Value	\$ 48,448									
Maximum Value	\$ 59,201									
Minimum Value	\$ 38,531									
Median	\$ 47,455									
Concluded Lot Value	\$48,000									

**Woodcreek East Community Facilities District No. 1 Properties
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Analysis for 8,180 Square Foot Lots

	P-5	P-6	P-7	P-8	P-9
Location:	Diamond Creek, 1A	Diamond Creek 1B	Diamond Creek 2, 3	Diamond Creek 4	Diamond Creek 5
Unadjusted \$/Lot:	\$ 28,000	\$ 35,000	\$ 48,500	\$ 47,000	\$ 47,000
Status:	Paper Lots	Paper Lots	Paper Lots	Paper Lots	Paper Lots
Comparable's Bonds:	\$ 12,004	\$ 12,004	\$ 12,004	\$ 12,004	\$ 12,004
Value Adjustments					
Financing/Concessions:	All Cash	All Cash	All Cash	All Cash	All Cash
Sale Date:	6/99	5/99	1/00	11/98	10/98
# of Lots Purchased:	145	81	97	80	38
Bonds					
Lot Size (SF):	6,825	6,825	7,700	7,700	7,510
Holding Costs	\$ 2,300	\$ 2,300	\$ 2,300	\$ 2,300	\$ 2,300
Net Adjustment:	\$ 10,531	\$ 11,471	\$ 6,814	\$ 11,122	\$ 12,201
Paper Lot Value	\$ 38,531	\$ 46,471	\$ 55,314	\$ 58,122	\$ 59,201
% Adjustment	38%	33%	14%	24%	26%
Average Lot Value					
Maximum Value					
Minimum Value					
Median					
Concluded Lot Value					

**Woodcreek East Community Facilities District No. 1 Properties
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Subject Data

Size 8,510 SF
 \$/SF \$ 4.00 Size Adjustment 9/00
 Date of Value \$ 17,256 \$1,600 divided by 0.09272
 Bond Conversion 8.00% Annual
 Appreciation 0.67% Monthly

	P-1	P-1	P-2	P-3	P-4
Location:	Stoneridge	Stoneridge	Woodcreek North, 1A/1B	Woodcreek North, 3	Woodcreek, 4
Unadjusted \$/Lot:	\$ 35,000	\$ 50,000	\$ 45,000	\$ 38,000	\$ 34,700
Status:	Paper Lots	Paper Lots	Paper Lots	Paper Lots	Paper Lots
Comparable's Bonds:	\$ -	\$ -	\$ 9,944	\$ 9,944	\$ 9,944
<i>Value Adjustments</i>	<i>Description + (-) Adjustm</i>	<i>Description + (-) Adjustm</i>	<i>Description + (-) Adjustm</i>	<i>Description + (-) Adjustm</i>	<i>Description + (-) Adjustm</i>
Financing/Concessions:	All Cash	All Cash	All Cash	All Cash	All Cash
Sale Date:	6/99 \$ 3,513	6/99 \$ 5,019	8/99 \$ 3,916	4/99 \$ 4,323	11/98 \$ 5,096
# of Lots Purchased:	351	351	85	108	142
Bonds:	\$ (1,600)	\$ (1,600)			
Lot Size (SF):	\$ 8,040	\$ (5,960)	\$ (5,960)	\$ (3,584)	\$ 8,040
Holding Costs	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500
Net Adjustment:	\$ 12,453	\$ (41)	\$ 456	\$ 3,239	\$ 15,636
Paper Lot Value	\$ 47,453	\$ 49,959	\$ 45,456	\$ 41,239	\$ 50,336
% Adjustment	36%	0%	1%	9%	45%
Average Lot Value	\$ 49,968				
Maximum Value	\$ 60,721				
Minimum Value	\$ 40,051				
Median	\$ 48,975				
Concluded Lot Value	\$50,000				

**Woodcreek East Community Facilities District No. 1 Properties
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Analysis for 8,510 Square Foot Lots

	P-5	P-6	P-7	P-8	P-9
Location:	Diamond Creek, 1A	Diamond Creek 1B	Diamond Creek 2, 3	Diamond Creek 4	Diamond Creek 5
Unadjusted \$/Lot:	\$ 28,000	\$ 35,000	\$ 48,500	\$ 47,000	\$ 47,000
Status:	Paper Lots	Paper Lots	Paper Lots	Paper Lots	Paper Lots
Comparable's Bonds:	\$ 12,004	\$ 12,004	\$ 12,004	\$ 12,004	\$ 12,004
Value Adjustments					
Financing/Concessions:	All Cash	All Cash	All Cash	All Cash	All Cash
Sale Date:	6/99	5/99	1/00	11/98	10/98
# of Lots Purchased:	145	81	97	69	38
Bonds:					
Lot Size (SF):	6,825	6,825	7,700	7,700	7,510
Holding Costs	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500
Net Adjustment:	\$ 12,051	\$ 12,991	\$ 8,334	\$ 12,642	\$ 13,721
Paper Lot Value	\$ 40,051	\$ 47,991	\$ 56,834	\$ 59,642	\$ 60,721
% Adjustment	43%	37%	17%	27%	29%
Average Lot Value					
Maximum Value					
Minimum Value					
Median					
Concluded Lot Value					

**Woodcreek East Community Facilities District No. 1 Properties
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Subject Data

Size 9,830 SF
 \$/SF \$ 4.00 Size Adjustment 9/00
 Date of Value \$ 17,256 \$1,600 divided by 0.09272
 Bond Conversion 8.00% Annual
 Appreciation 0.67% Monthly

	P-1		P-2		P-3		P-4	
Location:	Stoneridge		Woodcreek North, 1A/1B		Woodcreek North, 3		Woodcreek, 4	
Unadjusted \$/Lot:	\$ 35,000	\$ 50,000	\$ 45,000	\$ 38,000	\$ 34,700			
Status:	Paper Lots	Paper Lots	Paper Lots	Paper Lots	Paper Lots			
Comparable's Bonds:	\$ -	\$ -	\$ 9,944	\$ 9,944	\$ 9,944			
Value Adjustments	Description	+ (-) Adjustment	Description	+ (-) Adjustment	Description	+ (-) Adjustment	Description	+ (-) Adjustment
Financing/Concessions:	All Cash	0	All Cash	0	All Cash	0	All Cash	0
Sale Date:	6/99	\$ 3,513	8/99	\$ 3,916	4/99	\$ 4,323	11/98	\$ 5,096
# of Lots Purchased:	351		85		108		142	
Bonds	\$ (1,600)	\$ (1,600)						
Lot Size (SF):	6,500	\$ 13,320	10,000	\$ (680)	9,406	\$ 1,696	6,500	\$ 13,320
Holding Costs	\$ 2,900	\$ 2,900	\$ 2,900	\$ 2,900	\$ 2,900	\$ 2,900	\$ 2,900	\$ 2,900
Development Costs								
Net Adjustment:	\$ 18,133	\$ 5,639	\$ 6,136	\$ 8,919	\$ 8,919	\$ 21,316	\$ 21,316	\$ 21,316
Paper Lot Value	\$ 53,133	\$ 55,639	\$ 51,136	\$ 46,919	\$ 46,919	\$ 56,016	\$ 56,016	\$ 56,016
% Adjustment	52%	11%	14%	23%	23%	61%	61%	61%
Average Lot Value	\$ 56,052							
Maximum Value	\$ 70,441							
Minimum Value	\$ 45,731							
Median	\$ 54,655							
Concluded Lot Value	\$60,000							

**Woodcreek East Community Facilities District No. 1 Properties
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Analysis for 9,830 Square Foot Lots

	P-5	P-6	P-7	P-8	P-9
Location:	Diamond Creek, 1A	Diamond Creek 1B	Diamond Creek 2, 3	Diamond Creek 4	Diamond Creek 5
Unadjusted \$/Lot:	\$ 28,000	\$ 35,000	\$ 48,500	\$ 47,000	\$ 47,000
Status:	Paper Lots	Paper Lots	Paper Lots	Paper Lots	Paper Lots
Comparable's Bonds:	\$ 12,004	\$ 12,004	\$ 12,004	\$ 12,004	\$ 12,004
<i>Value Adjustments</i>					
Financing/Concessions:	All Cash	All Cash	All Cash	All Cash	All Cash
Sale Date:	6/99	5/99	1/00	11/98	10/98
# of Lots Purchased:	145	81	97	69	38
Bonds					
Lot Size (SF):	6,825	6,825	7,700	7,700	6,500
Holding Costs	\$ 2,900	\$ 2,900	\$ 2,900	\$ 2,900	\$ 2,900
Development Costs					
Net Adjustment:	\$ 17,731	\$ 18,671	\$ 14,014	\$ 18,322	\$ 23,441
Paper Lot Value	\$ 45,731	\$ 53,671	\$ 62,514	\$ 65,322	\$ 70,441
% Adjustment	63%	53%	29%	39%	50%
Average Lot Value					
Maximum Value					
Minimum Value					
Median					
Concluded Lot Value					

Woodcreek East Community Facilities District No. 1 Properties
Roseville, California

The following table summarizes the base unit values for the single-family residential categories, *subject to bonds and assessments*:

RESIDENTIAL BASE VALUES SUBJECT TO BONDS	
Lot Size	Value, Subject to Bonds
8,180 SF	\$48,000
8,510 SF	\$50,000
9,830 SF	\$60,000

A rational buyer would purchase the property, and install the improvements bringing the 350 lots to a developable stage. The cost to install the facilities plus the value *subject to fees and assessments* represents the subject's free and clear value. In this case, we will add the cost of the improvements, (\$4,314,300 or \$12,327 per lot) to adjust the concluded *retail value subject to bonds and liens* as is presented in the table below.

RESIDENTIAL BASE VALUES			
Lot Size	Value, Subject to Bonds	Cost of Improvements	Value, Free and Clear
8,180 SF	\$48,000	\$12,327	\$60,000
8,510 SF	\$50,000	\$12,327	\$62,000
9,830 SF	\$60,000	\$12,327	\$72,000

VII. FINAL VALUATION ANALYSES AND VALUE SUMMARY

Discounted Values of Land to be Absorbed. In the retail value determination section of this report we established retail value estimates for the single family residential properties contained within the CFD. The values assigned to all of these properties are shown in summary form in the addenda. The retail values that we established for all of the lot size categories are displayed again in the following table.

RESIDENTIAL BASE VALUES			
Lot Size	Value, Subject to Bonds	Cost of Improvements	Value, Free and Clear
8,180 SF	\$48,000	\$12,327	\$60,000
8,510 SF	\$50,000	\$12,327	\$62,000
9,830 SF	\$60,000	\$12,327	\$72,000

As discussed earlier in the report, the land within the CFD is not currently being developed, and will only be developed over future time. Therefore, because of holding costs, time value of money, etc., its current value is less than the value it would have if it were in immediate demand. Since we have utilized sales comparison approach techniques to determine retail values (i.e., value as if it were immediately developable and in immediate demand) of the various single family residential land parcels, a bulk value discounting process becomes appropriate in order to determine present value¹¹ for these properties.

Identification of Land to be Absorbed in the Future. We previously described all of the land parcels that are the subject of this appraisal are subject to discounting. We also discussed that these parcels will be absorbed, or brought into development over time, at a pace determined by the absorption study.

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

Marketing costs are projected to be approximately 5% of gross sales revenues. Taxes are estimated to approximate 1.05% of property remaining in inventory, plus average maximum special tax amounts as scheduled in the applicable bond issues. Administration, insurance, and other miscellaneous holding costs are projected to be about \$200 per year per acre remaining in inventory.

¹¹ A bulk value analysis provides an indication of the value of a group of properties to a prospective single buyer who would purchase them all at once, and then be prepared to develop them, and also to absorb all necessary holding costs and marketing expenses while selling land parcels as demand developed, over a future time period.

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

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

Choosing the “proper” rate for discounting. Based on our interviews with developers and investors, we estimate that the appropriate discount rate in the range of a 12% to 15% *real rate of return*⁶, and we have selected a discount rate of 12%.

This rate selection is supported by the results published in Korpacz Real Estate Investor Survey, a Pricewaterhouse Coopers publication, first quarter, 2000. Non-Institutional respondents (national and regional developers) to their survey reported that their expected project internal rate of return, or discount rate, with profit included, ranged from 9.25% to 18%, with a median of 13.25%. Institutional investors anticipate internal rates of return ranging from 8.50% to 15% with an average of 11.26%. Inherent in this return expectation is an assumption of annual increases in the retail property values, making these nominal rates of return. As described above, our preferred valuation method is to conclude today’s retail values and not speculate on anticipated future price and cost increases. Our concluded 12% real rate of return is more or less equivalent to a 15% nominal rate of return, utilizing the Korpacz methodology.

Bender Rosenthal interviewed five major land investor/developer groups to discuss discount rates, profit estimates, expense estimates, and assumptions used when valuing large land holdings. Two of these conversations are summarized below. The names of the companies have been withheld at the request of the company officers interviewed.

One of the interviewees is a Florida-based company that has purchased large tracts of land in the greater Sacramento area, as well other tracts in Florida, California, Texas and Arizona. This company typically purchases land, completes the entitlement process, and then sells mapped subdivisions, or portions thereof, to merchant builders and developers. The firm is typically involved with projects ranging in time from five to ten years. Whenever they analyze a potential project, they develop a model simulating the anticipated cash flows in order to arrive at a present value estimate. They report that they typically use a discount rate of 15%, inclusive of profit – Wall Street investors do not like projections that contain both a discount rate and a profit line item. Since they project income and expense inflation of 3% in

⁶ A real rate of return is an inflation-adjusted rate of return. If inflation were expected to remain at the 3% level, more or less, then the equivalent nominal (unadjusted) rate range would be 15% to 18%. We have used a real rate of return so as to avoid having to also adjust future retail values for inflation.

***Woodcreek East Community Facilities District No. 1 Properties
Roseville, California***

their annual cash flows, their discount rate is probably similar to a 12% or 13% real rate of return. They also report that the discount rate is of secondary importance to them in their analysis; they are more concerned with properly projecting pricing and absorption.

Another, well-known publicly-held land company was contacted, and interviews were conducted with persons in various divisions of this company to determine how they, as buyers, approach valuing potential large land acquisitions.

One such division has an existing developable land portfolio that can support 50.5 million square feet of new commercial development. They also are involved in residential, office, R & D, urban entertainment development and major mixed-use projects involving two or more of these property types. One of their recent acquisitions was of a 200-acre Navy reuse project. They anticipate a 12-year absorption for the entitled 1.3 million square feet of office that could be constructed on the site. Major infrastructure will be bond-financed. Their anticipated unleveraged rate of return, inclusive of profit, is 12%.

Another land department within this company acquires land for master-planned communities. They use a discounted cash flow analysis to estimate value. Retail values and expenses are not inflated over future time. The unleveraged discount rate they employ is typically 15 – 16%, which is effectively a real rate of return. When determining the discount rate, they consider project duration, entitlement status (master plan is desired), infrastructure, environmental risks including habitat issues, and at what point in the real estate cycle they perceive the area to be in. If the retail values represent the high side of the cycle, then there is more perceived risk. Their models never extend past ten years, and any land they project to remain after the 10th year is simply assigned a value. They use a sales commission projection of 1% of sales revenue, plus another 1% marketing cost, for a total of 2% of sales revenue. They pointed out that sales commissions any higher than that are not applicable for land development projects, but may be found in housing developments where a sales commission of 5% may be the norm.

Given the subject's smaller size (in comparison to master planned communities), location within the strong Roseville market, and given the strong economic growth, a discount rate of 12% is used.

Value Conclusions. The appraisers have concluded that the bulk value of the properties contained within the Woodcreek East CFD No. 1, inclusive of any and all bonded indebtedness, as of September 2000 would be:

**EIGHTEEN MILLION ONE HUNDRED FIFTY THOUSAND DOLLARS
(\$18,150,000)**

This value can also be called the fee simple, or free and clear value, or the value unencumbered by bonds and or other liens. This value is subject to all Extraordinary and General Limiting Conditions contained in the report.

**Woodcreek East Community Facilities District No. 1 Properties
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The value subject to special tax liens is the cash price that would be paid for a property or group of properties recognizing that special tax payments have to be made. The bulk value of the properties contained within the Woodcreek East CFD No. 1, subject to anticipated special tax liens, as of September, 2000, is:

**FOURTEEN MILLION THREE HUNDRED FIFTY THOUSAND DOLLARS
(\$14,350,000)**

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

The table below summarizes the value conclusions on a per acre, per unit and per square foot basis.

**WOODCREEK EAST CFD NO. 1
VALUE SUMMARY**

DESCRIPTION	FREE & CLEAR	SUBJECT-TO
Total Acres	88.40	88.40
Total Units	350	350
Total Present Value	\$18,150,000	\$14,350,000
PV per Net Acre	\$205,300	\$162,300
PV per Unit	\$51,900	\$41,000
PV per Square Foot	\$4.71	\$3.73

Again, these values are subject to all Extraordinary and General Limiting Conditions included in report.

This concludes the report.

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ADDENDA

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**ADDENDUM A
REGIONAL ANALYSIS**

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ADDENDUM A

GREATER SACRAMENTO REGIONAL DATA STUDY

The Sacramento-Yolo Consolidated Metropolitan Statistical Area (CMSA), consisting of El Dorado, Placer, Sacramento, and Yolo counties⁷, is located at the confluence of two major rivers, the Sacramento and the American, at the northern end of California's great inland Sacramento-San Joaquin Valley, often called the Central Valley. The community's area of influence extends from the Coastal Mountains to the west, across the Sacramento Valley, and up through the foothills of the Sierra Nevada Mountains to the east. The area is strategically located adjacent to productive agricultural areas on the north and south, recreational mountain areas on the east, and not far from the metropolitan San Francisco Bay Area 85 miles to the southwest. Also, it is centrally located with respect to the Mexican and Canadian borders. The largest city in the region, Sacramento, is the state capital and the cultural, communications, financial, employment, and transportation hub of the Sacramento Valley and adjacent mountain county regions.

Past Growth and Trends

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

- ◆ Businesses were attracted to the lower land costs and abundant, low cost office space found in inland valley cities and their suburbs.
- ◆ Workers from the coastal areas were looking to the inland valleys, and especially the Central Valley, for affordable housing and moderate commutes.
- ◆ The inland valley metropolitan areas had less known pollution and significantly less vehicle traffic.
- ◆ The 1989 Loma Prieta earthquake, which caused widespread damage in the San Francisco area, prompted many companies to consider locating at least some of their facilities to lower earthquake risk areas, and nearby Sacramento was in that category. First Nationwide Bank (later taken over by another bank) and Franklin Funds, a mutual fund management company, relocated most of their "back office" operations from the San Francisco area to Sacramento. This trend was reinforced as a result of the 1993 Los Angeles earthquake, when Packard Bell moved its assembly operations to Sacramento from its Los Angeles area location.⁸

⁷ Yolo County, including the communities of West Sacramento and Davis, often is not included in statistical summaries compiled by California state agencies, even though it is definitely part of the metropolitan area.

⁸ Unfortunately, Packard Bell, later NEC-Packard Bell, fell upon hard times, and no longer is an employer in the Sacramento area.

***Woodcreek East Community Facilities District No. 1 Properties
Roseville, California***

- ◆ Sacramento possessed excellent multi-modal transportation facilities. The area is served by U.S. Highway 50 and Interstate 80 - east-west highways, State Highway 99 and Interstate 5 - north-south highways; the Port of Sacramento; freight and passenger rail systems; and the Sacramento Metropolitan and Executive airports.
- ◆ The size of state government increased greatly, and Sacramento was the greatest single city benefactor of that growth, given its role as state capital.
- ◆ The work force was well educated and wages were low, especially for office workers, compared to Los Angeles and San Francisco.
- ◆ Several new roadways were constructed to serve the area, such as the Highway 65 Bypass in the Roseville area that opened up South Placer County industrial areas to major corporations like Hewlett-Packard and NEC.

Many of these past attractive factors are still true today, and the area is again experiencing strong economic growth as business operations and people leave the expensive San Francisco/Silicon Valley area in search of cheaper housing and less crowded conditions. The local recession of the early 1990s has been over for some time, and the Sacramento is again enjoying the growth portion of what appears to be about a 10- to 12-year economic cycle. Additional influences are described in the paragraphs that follow.

Transportation Facilities

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

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

The local thoroughfare and freeway system, however, lacks the "ring" roads found in many other cities of similar size, and is throttled by a lack of bridges crossing the American River, which more or less bifurcates the metropolitan area from east to west. The major routes into and out of the city are often choked with traffic during commuting hours. Highway 50, incoming from the far-eastern suburbs, is

***Woodcreek East Community Facilities District No. 1 Properties
Roseville, California***

often congested, as is the Interstate 80 route incoming from the northeast. New, close-in developments, such as North Natomas, should become increasingly attractive as this traffic load continues to increase.

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

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

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

The Port of Sacramento is a deep-water shipping facility in Yolo County located at the western edges of the city of Sacramento. Its reputation as an efficient bulk cargo seaport is further enhanced by its designation as a foreign trade zone. Historically there have been significant exports of farm crops and forest products from this port. The port handles about 1.3 million tons of cargo annually. Over the last 10 years, however, revenues have been declining, and the future viability of the port operation is uncertain. The port has 310,000 square feet of covered storage for cargo operations, five berths and a Union Pacific rail terminal area.

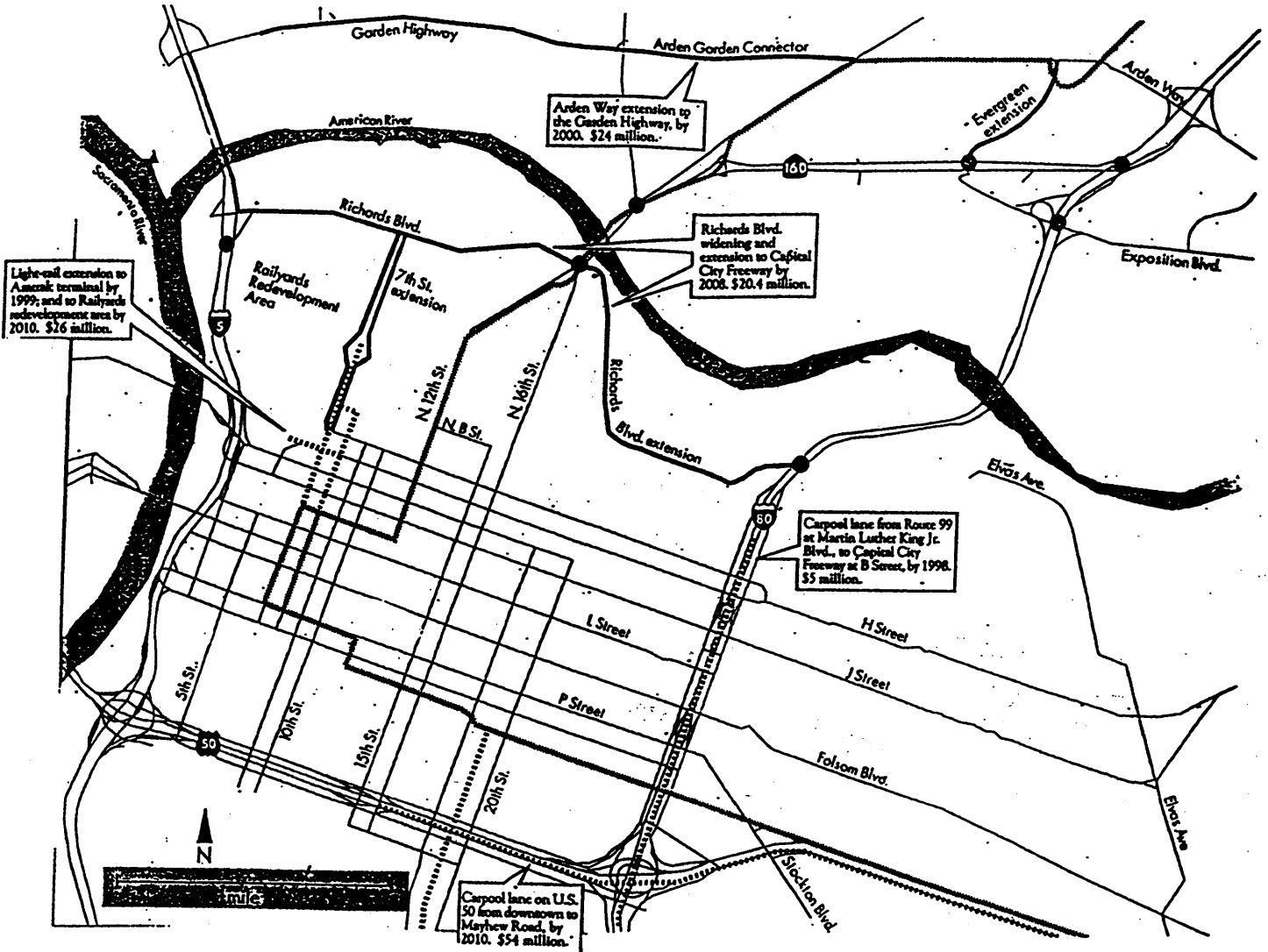
Local bus service is provided by Regional Transit. In addition, an 18.3-mile light rail system interconnects with the existing Regional Transit bus service. The light rail system connects Sacramento's Central Business District with established and heavily built-up residential suburbs to the northeast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

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

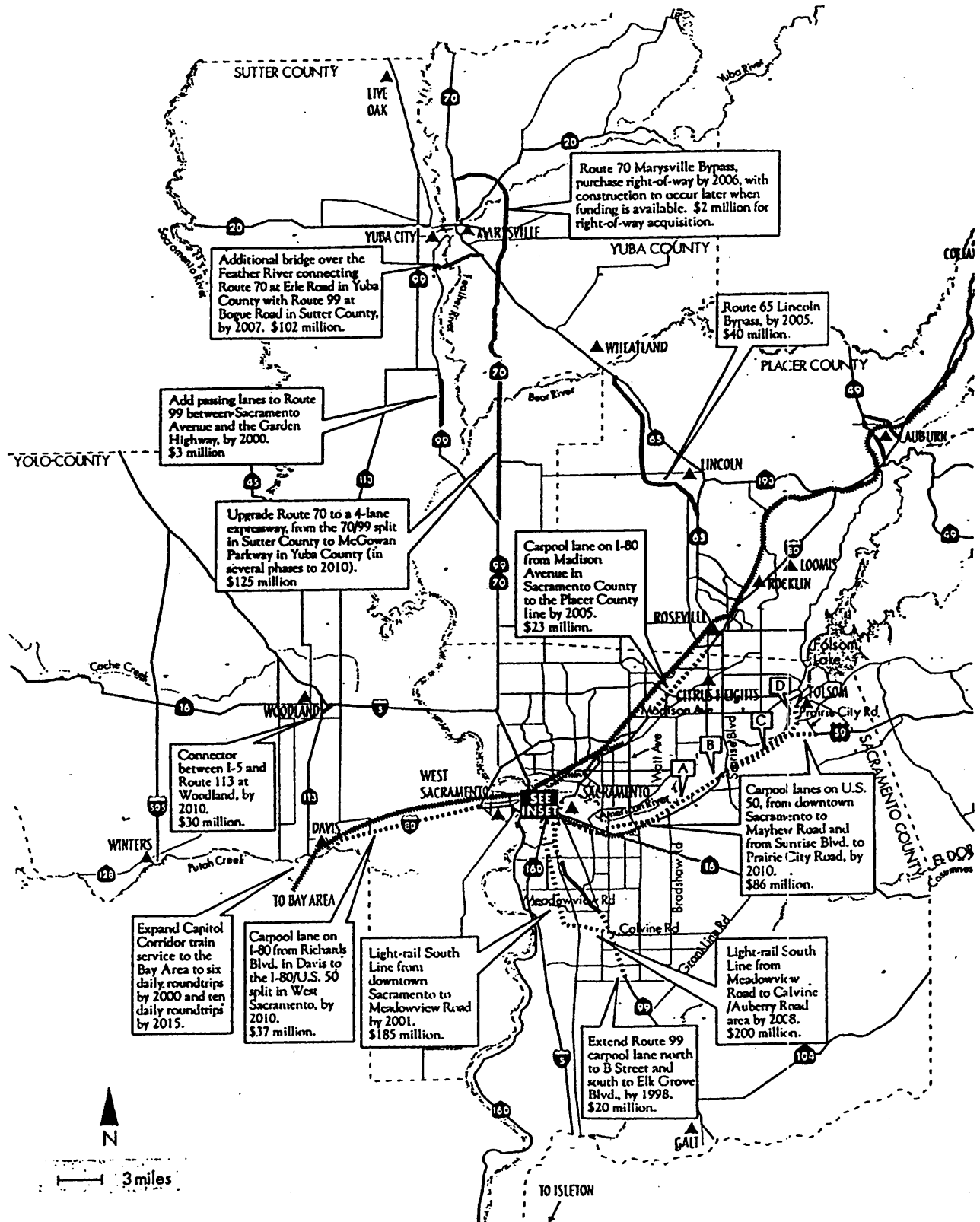
***Woodcreek East Community Facilities District No. 1 Properties
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Future Transportation Needs. The region's 46% population growth that is projected to occur between 2000 and 2022 will lead to significantly increased traffic congestion. To deal with this problem, a 20-year Metropolitan Transportation Plan was adopted by the Sacramento Area Council of Governments (SACOG) in 1996. The plan contains proposals for regional transportation strategies and also describes local improvements that are planned by the individual cities and counties of the region, the implementation of which could at least partially alleviate expected problems. Unfortunately, many of these projects are unfunded, to a total of about \$1.9 billion. Area growth and development might proceed at a slower pace if these projects are not funded. Exhibits on the next two pages show the nature and location of many of the planned transportation improvements.

CENTRAL SACRAMENTO TRANSPORTATION IMPROVEMENTS



METROPOLITAN AREA PUBLIC TRANSIT AND HIGHWAY EXPANSION



Educational Facilities

Two major public universities are located in the area: the University of California at Davis, the third largest campus in the University of California system (and largest in terms of physical campus area), with 24,000 students; and California State University, Sacramento, with more than 23,000 students. Both of these institutions offer undergraduate and graduate degree programs. U.C. Davis expects to add 3,000 students over the next decade, which will make its size equivalent to the present size of U.C. Berkeley. Private universities include the University of Pacific McGeorge School of Law, the 18th largest accredited law school in the country. Several other institutions, such as Golden Gate University, National University, and the University of Southern California have various under-graduate and graduate programs aimed at working students. General education and technical training are available at four community colleges serving the area.

The primary and secondary school systems within the city of Sacramento have been suffering from significant budget constraints. Suburban schools, however, especially in the Roseville and Rocklin areas, have new facilities paid for with Mello Roos bond proceeds, developer fees, etc. There will be a similar School Facilities Fee levied in the newly developing North Natomas area. Most of the local school districts are considered to be delivering an adequate level of education, but SAT scores for the region, for instance, are typically no more than average, compared to the state as a whole.

Retail Facilities

Most experts on retail marketing suggest that the typical community can support about 19 to 21 square feet of retail space in planned, multi-tenant centers per capita. Based on the four county area's current population of 1,686,000, a total retail space inventory of 32,000,000 to 35,400,000 square feet appears to be appropriate. The table below shows that the current inventory is about 34,400,000 square feet, and so the market appears to be in balance.

**SACRAMENTO REGIONAL RETAIL DEVELOPMENT
RETAIL CENTERS DISTRIBUTION**

Location	Centers	Floor Space (sq. ft)	
City of Sacramento	45	5,014,688++	15% of Region
City of Citrus Heights	15	2,581,101++	
City of Folsom	13	1,182,985++	
Rest of Sacramento County	<u>118</u>	<u>12,956,634++</u>	
Total: Sacramento County	191	21,735,372++	73% of Region
City of Roseville	18	4,172,298++	
City of Rocklin	6	668,355++	
City of Auburn	7	950,232++	
Rest of Placer County	<u>6</u>	<u>414,560++</u>	
Total: Placer County	37	6,205,445++	17% of Region
City of Davis	9	581,386++	
City of Woodland	11	1,029,438++	
Rest of Yolo County	<u>5</u>	<u>265,700++</u>	
Total: Yolo County	25	1,876,524++	6% of Region
City of Placerville	3	494,380++	
Rest of El Dorado County (not including South Lake Tahoe)	<u>8</u>	<u>545,635++</u>	
Total: Western El Dorado County	11	990,014++	3% of Region
Total of Centers	264	29,707,355++	100% of Region
Data Found for All Locations in the Region	284	34,400,000±	
<p><i>Note: This table includes all centers, of all sizes, listed in an annually updated commercial directory, including regional malls, power centers, and community and neighborhood shopping centers.</i></p> <p><i>Independent properties and multiple owner strip commercial spaces are not recorded and may be an additional 35% of retail space in inventory</i></p> <p><i>Source: 1999 Shopping Center Directory, and Economics Research Associates.</i> <i>Economics Research Associates</i></p>			

***Woodcreek East Community Facilities District No. 1 Properties
Roseville, California***

During the late 1980s and early 1990s, more than eighty shopping centers were constructed. Demand for space from regional and national chain tenants was strong due to the area's rapid growth. Wal-Mart entered the market and now has four stores in the area, with one more announced. The area is served by eight regional shopping centers. The construction of the long-planned Galleria Mall in Roseville with 1.1 million square feet of retail space is now complete, and the mall opened to the public on August 25, 2000. Major tenants there are JC Penney, Macy's, Nordstrom, and Sears, plus an additional 140 stores. Another one of the largest of the existing centers, Sunrise Mall, contains 1.19 million square feet. Arden Fair Mall, contains 1.1 million square feet of space, and includes a Nordstrom department store, as well as J. C. Penney, Sears and Macy's. A downtown mall, called Downtown Plaza, was renovated and enlarged in the early 1990s and is now almost as large as Arden Fair. All major retailers are represented in the area. Also, a larger power center, Natomas Marketplace (60 acres, 494,000 square feet), located at Truxel and I-80, was completed in 1998.

All of the major planned and under-construction retail facilities are summarized in the following chart.

**Woodcreek East Community Facilities District No. 1 Properties
Roseville, California**

Planned, Proposed and Under-Construction Regional Shopping Centers

Name	Location	Total GLA	Status
Creekside Town Center	Roseville	390,000	Approved, Initial phases opened 9/2000
OPUS Power Center	Folsom	477,000	Home Depot Built (125,000) remaining UC
Broadstone Regional Mall	Folsom	1,100,000 ¹	Forest City Development indicated project is on hold
Lent Ranch Regional Mall	Elk Grove	1,100,000	Seeking entitlements
Plesko	North Natomas	250,000	Sent to planning commission in 11/99
Lewis Group	North Natomas	350,000± ²	Will need to file PUD with City
Lennar/Donohue Schriber	North Natomas	412,300± ³	Will file application for PUD approval
OSE Properties/El Centro Crossing	North Natomas	456,700	Entitlement change request filed 7/1999
Fong Ranch/OPUS	North Natomas	680,000 ⁴	Proposed development
Westfield Plaza	Downtown	568,200+	Expansion east along K & S to Lot A
Mills Proposal	UP Railyards (Downtown)	624,000- 700,000	No application filed yet requires rezone, redevelopment plan amendment
	Total	5,052,200±	
		867,000±	Under Construction
		4,185,200±	Planned and Proposed

SUMMARY:

Downtown	1,193,200 - 1,278,200 ±
North Natomas	2,149,000 ±
Roseville	390,000 ±
Elk Grove (County)	1,100,000 ±

Notes:

- (1) this proposed development is not included in the totals
- (2) Lewis indicates it may build a first phase of 90,000 SF in 9 acres
- (3) Lennar/Donohue-Schriber indicate that a first phase may be 95,000 SF on 10 acres
- (4) A hotel is also proposed in the concept; only the retail floor area is shown here

UC = Under Contract

**Woodcreek East Community Facilities District No. 1 Properties
Roseville, California**

This addition of retail space would accommodate a population increase of approximately 350,000 persons. Given the current level of development in the metropolitan area, this may not be unreasonable.

Local Buying Power

The average household effective buying income (EBI) for several California metropolitan areas is shown in the chart below. The Sacramento area average EBI is below the average for the State of California as a whole, and is significantly below that of some of the major metropolitan areas. We suspect that new retail developments in the affluent portions of the Sacramento area may be successful, but the modest EBI level suggests that there are many people with very low EBIs, and new retail trade attempts in the modest neighborhoods are less likely to meet with success.

EFFECTIVE BUYING INCOME, SOME CALIFORNIA METRO AREAS Current (1998) and Projected (2003)		
Metro Area	Average Household EBI, 1998	Average Household EBI, 2003
San Jose	\$67,890	\$82,000
San Francisco	\$61,131	\$72,160
Orange County	\$54,839	\$58,346
Oakland	\$53,930	\$61,645
All California	\$47,771	\$52,820
Vallejo-Fairfield-Napa	\$47,300	\$52,841
Los Angeles/Long Beach	\$46,209	\$49,450
Sacramento-Yolo CSA	\$44,026	\$49,712
Stockton-Lodi	\$40,822	\$45,334
Modesto	\$38,629	\$41,166
Fresno	\$35,890	\$38,799
Yuba City	\$32,747	\$35,217
Chico-Paradise	\$31,998	\$34,903
Source: Sales and Marketing Management, 1999 Survey of Buying Power		

Sacramento's median household effective buying income compared to some other U.S. cities is shown in the following chart. Sacramento is about at the national median, but trails several other regional cities.

**Woodcreek East Community Facilities District No. 1 Properties
Roseville, California**

MEDIAN HOUSEHOLD EBI (1999 Survey of Buying Power)			Compared to Sacramento's (times)
Metro	(\$)	Rank	
San Francisco-Oakland-San Jose	46,927	3	1.38
Seattle - Tacoma	42,982	11	1.26
Monterey-Salinas	41,069	12	1.20
Minneapolis - St. Paul	39,305	18	1.15
Reno	37,981	22	1.11
Portland	36,765	45	1.08
Austin	36,532	37	1.06
Los Angeles	36,370	39	1.07
San Diego	36,296	40	1.06
Madison, Wisconsin	36,242	41	1.06
Salt Lake City - Ogden	36,043	43	1.06
U. S. Median	35,377		1.04
Sacramento-Stockton-Modesto	34,104	60	1.00
Phoenix - Mesa	31,384	97	.92
Yolo	30,112	202	.88
Fresno-Visalia	26,830	172	.79
Chico - Redding	24,265	202	.71

Recreational Amenities

The greater Sacramento area has many natural recreational opportunities, and a moderate year-round climate. Locally, the American and Sacramento rivers, the Sacramento River delta, and Folsom Lake offer a variety of water-oriented activities. The extended community has 22 golf courses and a 50-mile bicycle/pedestrian/equestrian trail along the American River. The Sierra Nevada Mountains to the east offer excellent skiing, and adjacent Lake Tahoe offers additional aquatic activities. The well-known wine-producing valleys of Napa and Sonoma are about 90 minutes from Sacramento, and the San Francisco Bay area can be reached easily by Interstate 80.

Sports Attractions

The best known local professional sports team is the Sacramento Kings of the National Basketball Association. The Kings play at the 17,000-seat Arco Arena, in North Natomas. Other professional teams have experimented in the area, with generally unsatisfactory results. A local group purchased a Canadian Football League franchise that played its 1993 and 1994 seasons in Sacramento. However, the owners suffered major losses and the team has since been disbanded. A professional women's basketball team, the Sacramento Monarchs, made its debut at Arco Arena during the summer, 1997. Their games were well attended in 1997, but attendance was down in 1998 and 1999.

A new baseball park accommodating a Triple A team called the "River Cats" was recently constructed on a West Sacramento site, directly across the Sacramento River from Old Sacramento. A bond issue to finance it has been sold by Sacramento County, Yolo County, and the city of West Sacramento. The park was complete for the April, 2000 season opening.

At the amateur level both California State University, Sacramento, and the University of California at Davis have Division I or Division II teams in most major, and some less well known, sports.

Cultural Amenities; Historical Attractions

Sacramento has offerings in the theater, music, and fine arts that are typical for a mid-sized city. Also, there is ready access to all such attractions in San Francisco. A new state-of-the-art library located at the downtown plaza experiences high usage and is open daily except Monday.

The State Capitol, the restored Old Sacramento district along the Sacramento River, the Railroad Museum, and Sutter's Fort are major attractions for both local residents and tourists. The annual international jazz festival, held in May in and around Old Sacramento, is one of the largest such festivals, and draws performing groups from around the world.

Population Characteristics

The latest revised U.S. Census population estimate (as of July 1, 1998) for what the Office of Management and Budget (OMB) of the federal government is now calling the Sacramento-Yolo CMSA is 1,685,812, almost a 14% increase since the 1990 census. This population total is:

- ◆ 0.6% +/- of the population of the United States (272.691 million) and
- ◆ 5%+ of the population of the State of California (33.145 million)

Sacramento-Yolo, as of 1998, was the 25th largest metropolitan area (as measured after some metropolitan areas previously considered separately are combined into "consolidated" metropolitan statistical areas, or CMSAs) in the United States.

**Woodcreek East Community Facilities District No. 1 Properties
Roseville, California**

The following chart illustrates how Sacramento-Yolo compares to some of the other areas that exceed one million in population.

POPULATION RANKINGS			
RANK	MSA/CMSA	1998 POPULATION	SIZE COMPARED TO SACRAMENTO-YOLO (TIMES)
1	New York-Northern New Jersey-Long Island, NY-NJ-CT-PA CMSA	20,124,377	11.9
2	Los Angeles-Riverside-Orange County, CA CMSA	15,781,273	9.4
3	Chicago-Gary-Kenosah, IL-IN-WI CMSA	8,809,846	5.2
4	Washington-Baltimore, DC-MD-VA-WV CMSA	7,285,206	4.3
5	San Francisco-Oakland-San Jose, CA CMSA	6,816,047	4.0
9	Dallas-Fort Worth, TX CMSA	4,802,463	2.8
10	Houston-Galveston-Brazoria, TX CMSA	4,407,579	2.6
11	Atlanta, GA MSA	3,746,059	2.2
12	Miami-Fort Lauderdale, FL CMSA	3,655,844	2.2
13	Seattle-Tacoma-Bremerton, WA CMSA	3,424,361	2.0
14	Phoenix-Mesa, AZ MSA	2,931,004	1.7
16	Minneapolis-St. Paul, MN-WI MSA	2,831,234	1.7
17	San Diego, CA MSA	2,780,592	1.6
18	St. Louis, MO-IL MSA	2,563,801	1.5
19	Denver-Boulder-Greeley, CO CMSA	2,365,345	1.4
21	Tampa-St. Petersburg-Clearwater, FL MSA	2,256,559	1.3
22	Portland-Salem, OR-WA CMSA	2,149,056	1.3
23	Cincinnati-Hamilton, OH-KY-IN CMSA	1,948,264	1.2
24	Kansas City, MO-KS MSA	1,737,025	1.0
25	Sacramento-Yolo, CA CMSA	1,685,812	1.0
26	Milwaukee-Racine, WI CMSA	1,645,924	1.0
27	Norfolk-Virginia Beach-Newport News, VA-NC MSA	1,542,143	0.9
28	San Antonio, TX MSA	1,538,338	0.9
29	Indianapolis, IN MSA	1,519,194	0.9
30	Orlando, FL MSA	1,504,569	0.9
31	Columbus, OH MSA	1,469,604	0.9
35	Salt Lake City-Ogden, UT MSA	1,267,745	0.8

Source: CENDATA from CompuServe and Bender Rosenthal calculations.

**Woodcreek East Community Facilities District No. 1 Properties
Roseville, California**

Sacramento was the 23rd most rapidly growing PMSA/MSA in the country over the 1980-90 period, the fifth fastest growing among national PMSA/MSAs over one million in population, and the sixth fastest growing in the State of California (five of these six were Central Valley cities). Since the 1980s, however, the population growth rate has decreased. As shown on the following chart, the area's population growth has moderated compared to the 3+% average annual growth rates of 1980-1990; the annual population increase since January 1991 has been 1.1%.

SACRAMENTO CMSA POPULATION GROWTH JANUARY 1980 TO JANUARY 2000 ⁹					
COUNTY	POPULATION		NUMERICAL INCREASE	PERCENTAGE INCREASE	AVERAGE ANNUAL PERCENTAGE INCREASE
	1980	2000			
El Dorado	84,300	152,900	68,600	81%	4.3%
Placer	116,300	234,400	118,100	102%	5.4%
Sacramento	777,800	1,209,500	431,700	56%	2.9%
Yolo	112,800	162,900	50,100	44%	2.3%
Totals:	1,091,200	1,759,700	668,500	71% Avg.	3.7% Avg.
Note: As of January 1994 the Sacramento MSA has been revised to include only three counties: El Dorado, Placer, and Sacramento. When Yolo County is added, the combination is referred to as the Sacramento-Yolo CMSA.					

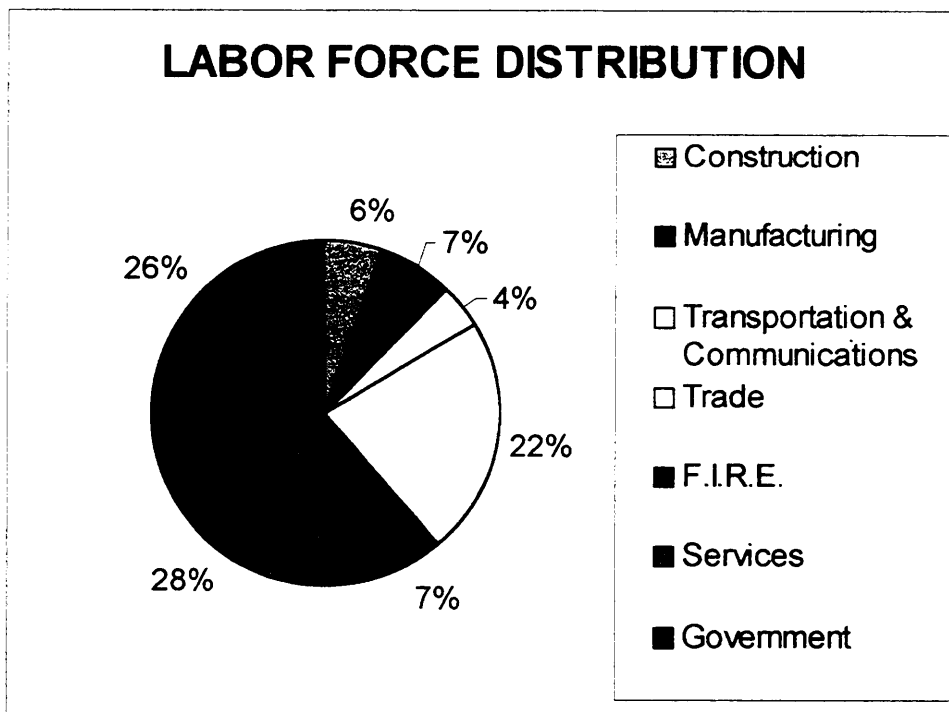
Work Force Quality; Income Growth

The Sacramento population is well educated, relatively young, and affluent. Sixty percent of the adults are under age 45, over 62% of the work force has attended some college, and 25% possess bachelor's degrees or higher. Sacramento County's per capita income is about \$24,900, which is 96% of the all-California average, and 99% of the national average.

⁹POPULATION ESTIMATES FOR CALIFORNIA CITIES AND COUNTIES, REPORT 93 E-1, January 1, 2000, Department of Finance-Demographic Research Units, State of California, May 1997. (Does not agree precisely with U.S. Census data.)

Labor Resources, Employment, and Economic Base

Historically, over 50% of the area's economic base has been driven by government employment. Although Sacramento continues, undeniably, to be a government town, efforts to diversify the economic base have been modestly successful, and government employment as a percent of total employment has declined from over 34% in 1980 to less than 27% today (see exhibit that follows). Trade, Transportation, F.I.R.E. and Services account for another 60% of those employed. Only 7% of employment is attributable to the manufacturing sector, and this percentage is little changed since 1980, when it was 6.7%. Also, it should be noted that this employment analysis significantly underemphasizes the importance to the local economy of the extensive agricultural production that exists throughout the extended area.



A list of the largest employers in Sacramento shows the community's dependence on government. The list follows on the next page.

**Woodcreek East Community Facilities District No. 1 Properties
Roseville, California**

LARGEST EMPLOYERS SACRAMENTO AREA	
EMPLOYER	NO. OF EMPLOYEES
State of California (not including education)	72,500
Sacramento County	11,000
University of California at Davis	10,724
San Juan Unified School District	9,200
McClellan Air Force Base	7,000
Sutter Health	6,590
Raley's	6,430
U.C. Davis Medical Center	5,810
Mercy Healthcare Sacramento	5,716
Pacific Bell	5,658
Hewlett-Packard	5,500
Sacramento City Unified School District	5,230
Intel Corporation	5,000
Kaiser Permanente	4,829
City of Sacramento	4,000
Elk Grove School District	3,340
Albertson's, Inc.	2,852
California State University at Sacramento	2,600
Placer County	2,345
U.S. Postal Service	2,300
Sacramento Municipal Utility District	2,240
Pride Industries	2,200
Bank of America	2,155
USCS International	2,142
United Parcel Service	2,100
Lucky Stores, Inc.	2,042
MTS Inc.	2,000
Foundation Health Systems, Inc. (Health Net)	1,930
Aerojet	1,840

**Woodcreek East Community Facilities District No. 1 Properties
Roseville, California**

LARGEST EMPLOYERS SACRAMENTO AREA	
EMPLOYER	NO. OF EMPLOYEES
Sacramento Bee	1,592
Vision Services Plan	1,550
NEC Electronics	1,500
Union Pacific Railroad	1,500
A Tiechert & Sons, Inc.	1,500
MCI Communications	1,500
Electronic Data Systems Corp.	1,455
Sources: Business Journal Top 25 Lists, Individual organizations, State Employment Development Department, late 1999 counts.	
The figure for state government does not include local campuses of the University of California or California State University systems, which are listed separately. Similarly, the U.C. Davis figure does not include the U.C. Davis Medical Center, which is in Sacramento	

The Sacramento area's annual employment growth rate during the late 1980s was the fastest in the country, and the unemployment rate remained very low. During the early 1990s, however, there was a net decline in employment, and the unemployment rate remained high. The job market has steadily strengthened over the last three years. In March, 1997 the local unemployment rate dropped below the national rate for the first time since 1991. Current labor force and employment statistics are shown in the following table.

SACRAMENTO MSA (SACRAMENTO, PLACER, AND EL DORADO COUNTIES) CURRENT LABOR FORCE AND INDUSTRY EMPLOYMENT						
MARCH 1999 BENCHMARK; DATA NOT ADJUSTED FOR SEASONALITY	AUG 99	JUN 00	JUL 00 REVISED	AUG 00 PRELIMINARY	PERCENT CHANGE	
					MONTH	YEAR
Civilian Labor Force	799,100	811,500	821,000	825,100	.0.5%	3.3%
Civilian Employment	768,300	775,000	782,800	792,000	1.2%	3.1%
Civilian Unemployment	30,800	36,600	38,300	33,100	-13.6%	7.5%
Civilian Unemployment Rate	3.8%	4.5%	4.7%	4.0%	--	--
(California Unemployment Rate)	4.9%	5.2%	5.5%	5.0%	--	--
(U.S. Unemployment Rate)	4.2%	4.2%	4.2%	4.1%	--	--

**Woodcreek East Community Facilities District No. 1 Properties
Roseville, California**

As can be seen by the chart, the local unemployment rate has increased only slightly over the last year, and it has remained below the state average. The total Sacramento job gain, August 2000 over August 1999, was 23,700, which is very positive. Although many self-employed persons may have left the work force in the early 1990s, it appears that many may be returning, as new business formation increases. Overall, current employment trends indicate that Sacramento is currently enjoying a healthy economy.

Regional planners, according to a report released in February 1996 by the Sacramento Area Council of Governments (SACOG), project that over 500,000 jobs will be created in the Sacramento area between now and the year 2020, with most of the employment growth occurring in the following communities:

<u>GREATEST EMPLOYMENT GROWTH AREAS</u>		
<u>COMMUNITY</u>	<u>2020 EMPLOYMENT</u>	<u>TOTAL INCREASE</u>
Downtown	141,700	45,000
Roseville/Rocklin	111,400	63,600
Rancho Cordova	108,100	43,000
West Sacramento	61,800	40,000
Natomas	<u>55,400</u>	<u>33,400</u>
Totals	478,400	225,000

This is approximately a 3.2% compound rate of increase, which may be sustainable, but it is an aggressive projection, in our opinion. Planners are not clairvoyant, and historically their projections have been flawed because they cannot predict recessions, catastrophes, and other exogenous events that affect job growth.

Military Base Closures

For many years the Sacramento economy had the good fortune to be the recipient of the expenditures for local goods and services from three military bases: The Sacramento Army Depot, Mather Air Force Base, and McClellan Air Force Base. However, Mather was closed in 1993, and the Depot, for all practical purposes, closed in 1994. About 6,500 jobs were lost at the two bases.

McClellan, which once employed 12,600 civilians and 3,455 military personnel and pumped a gross annual payroll of \$550 million into the local economy, is also nearing closure. Most of the military commands have already departed. About 7,000 employees remain at this time, but the prospects of retaining their hi-tech Department of Defense work do not appear good. The base contains about 2,800 acres, some of which have toxic substance problems. Exchange, commissary and medical facilities will remain open after base closure to serve the estimated 80,000 area military retirees who

***Woodcreek East Community Facilities District No. 1 Properties
Roseville, California***

currently use these on-base services. Without access to these services, military retirees might be less likely to remain in the area.

Sacramento Business Climate

Historically, the Sacramento mix of government, management, labor, education, and environment apparently has not been appropriate for spawning or supporting major business endeavors, as demonstrated by the following facts:

- ◆ The Sacramento metropolitan area, which is the thirtieth largest in the United States, is not the headquarters city for a single FORTUNE 500 company.
- ◆ Of the 400 largest private companies (ranked by sales) in the United States, according to FORBES, three are headquartered in the Sacramento area: Raley's, MTS (Tower Books, Records, etc.), and Whitmire Distribution. In comparison, Reno has one, Redding has one, Modesto has two, Portland has two, and the San Francisco Bay area has ten.
- ◆ Of the 100 largest private companies in the State of California, as ranked by CALIFORNIA BUSINESS based on total revenues, four were based in the Sacramento area. Sacramento is the seventh largest MSA in California.

Although it is true that small companies, not large ones, generate most of the jobs in the United States today, it is also true that many of these smaller companies tend to be located near larger ones. Sacramento, unfortunately, has few large companies to provide the incubating environment for the creation of smaller firms, who subcontract for goods and services, or who use large company relationships to begin new ventures. This situation may be changing, however, as various high tech firms are locating facilities in Sacramento, as described earlier.

National Perceptions

Over the last 10 years various reviews of good places to live and work in the United States have rated Sacramento at many different levels. Each year Money Magazine rates its "best places" based on reviews of nine broad categories: crime, economy, health, housing, education, weather, leisure, arts and culture, and transportation. In its latest rating (July, 2000) Sacramento was rated the twelfth out of the 14 metro areas in the west with populations exceeding 1.0 million. The ratings are shown in the chart that follows:

Woodcreek East Community Facilities District No. 1 Properties
Roseville, California

"HOW THEY RANK" (Money Magazine)		
Western Cities		
Large (1,000,000+ pop.)		
	City	Population
1.	San Francisco, CA	1,655,454
2.	Los Angeles-Long Beach, CA	9,127,751
3.	Salt Lake City-Ogden, UT	1,217,842
4.	Seattle-Bellevue-Everett, WA	2,234,707
5.	Oakland, CA	2,209,629
6.	Denver, CO	1,866,978
7.	Las Vegas, NV-AZ	1,201,073
8.	Orange County, CA	2,636,888
9.	Riverside-San Bernardino, CA	3,015,783
10.	San Diego, CA	2,655,463
11.	San Jose, CA	1,599,604
12.	Sacramento, CA	1,482,208
13.	Phoenix-Mesa, AZ	2,746,703
14.	Portland-Vancouver, OR	1,758,937

Summary

The Sacramento Metropolitan Area is strategically located with respect to transportation corridors and agricultural production within California's huge Central Valley region. The metropolitan area benefits from being the capital and center of government for the State of California, which currently has a population exceeding 31 million and a gross domestic product that, if compared to other nations, would be among the top ten in the world.

The area's population is well educated, relatively young, and used to working at wage scales that are below those found in the larger, coastal cities. Local employment, which is too dependent on government, was adversely impacted by the national recession and California depression, but less so than many other metropolitan areas of California. Military base closings have hurt the local economy, and one more major closing is in process. Nevertheless, job growth is strong, and regional economists seem to be universally positive on the near-term prospects for the area.

***Woodcreek East Community Facilities District No. 1 Properties
Roseville, California***

The accelerating economy is giving some real estate values a boost: properties of recognized quality have been appreciating for the last three or four years after seven or eight years of declining values, but substandard real estate may continue to lose value relative to other assets, albeit at a lessor rate than during the early 1990s. Looking at the long term, we believe that the area's overall desirability as a place to live and work should positively impact the local economy and most real estate values, and we expect continuing modest value increases during the remainder of the decade and into the early years of the new century.

**ADDENDUM B
APPRAISERS' CERTIFICATION**

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ADDENDUM C
APPRAISERS' QUALIFICATIONS

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**PROFESSIONAL QUALIFICATIONS OF
STEPHEN A. ROSENTHAL, MAI
(Partner in the firm of Bender Rosenthal)**

Professional Experience

Stephen A. Rosenthal has been continuously active in real estate valuation and related fields since 1969. As a senior investment officer for a real estate pension fund advisor (FIA Associates, Inc.) to public pension funds from 1984 to 1991, Mr. Rosenthal valued and acquired fee, leasehold, and mortgage interests in numerous office, industrial, retail, and apartment properties located in various metropolitan areas throughout the United States. Prior to that he was a mortgage loan underwriter/valuator for IDS Life Insurance Company (national accounts; based in Minneapolis) and a commercial property appraiser for Equitable Life Assurance Society (southwestern U.S.; based in Los Angeles). Since early 1991 Mr. Rosenthal has been an independent appraisal contractor in the Sacramento area, performing appraisal services for a variety of clients on both his own company's letterhead and for other appraisal firms. During 1993 - 1994 he was also a valuation consultant affiliated with BARD CONSULTING, a San Francisco based pension fund consulting and advisory firm. Mr. Rosenthal has testified as an expert witness in court-sponsored mediation sessions and in tax appeal cases.

Formal Education

University of California Los Angeles (UCLA), Anderson School
MBA degree (Urban Land Economics emphasis)
University of Wisconsin-Madison
BS degree (English major)

Specialized Education

Appraisal Institute:

Real Estate Principles
Urban Properties
Investment Analysis
Standards of Professional Practice

College-level Courses:

Certificate in Real Estate, UCLA Extension. Curriculum included courses in Real Estate Principles, Law, Finance, and Appraisal.

Major Seminars, Short Courses:

Farm Appraisal, Argus Discounted Cash Flow Applications, Financial Calculator Usage, ADA, Electronic Data Interchange (EDI), Eminent Domain, Internet, many others

Professional Affiliations

Member of Appraisal Institute (MAI, Certificate No. 6495)

(Past President of the Sacramento Sierra Chapter, a member of the national APPRAISAL JOURNAL Review Committee, a member of the Regional Ethics and Counseling Committee, and a writer for the Sacramento Sierra Chapter newsletter.)

Member of the Urban Land Institute (ULI)

Member, Urban and Regional Information Systems Association (URISA)

Captain, U. S. Naval Reserve (Retired)

Former member of ICSC, NAIOP, and PREA

Certifications, Licenses

Licensed as a Certified General Real Estate Appraiser, State of California, #AG002263
California Real Estate Broker License

Publications

Articles have been published in the APPRAISAL JOURNAL, the MORTGAGE BANKER, and APPRAISAL NEWS AND REVIEW (Chapter newsletter)

**PROFESSIONAL QUALIFICATIONS OF
CYDNEY G. BENDER, MAI
(Partner in the firm of Bender Rosenthal)**

Cydney G. Bender, MAI has been in real estate appraising and consulting since 1991. Her professional experience in real estate appraisal encompasses a broad range of property types that include office, retail, multi-family, mobile homes, park land, elderly housing, condemnation, and residential subdivisions. She is a member of the Appraisal Institute with the MAI designation and is a Certified General Real Estate Appraiser in the State of California, No. AG017559.

Ms. Bender is the Past President of the Sacramento Chapter of the Construction Specifications Institute, former Chief Financial Officer of the Commercial Real Estate Women, Sacramento and a member of the International Right-of-Way Association.

Prior to her career in real estate, Ms. Bender attended California Polytechnical State University in San Luis Obispo, majoring in Agricultural Business Management. Upon graduation she entered the commercial construction field as a Project Manager for a Sacramento based general contractor. Projects included tenant improvements, manufacturing plants, auto dealerships, industrial warehouses and elderly housing ranging in cost from \$60,000 to \$1.5 million in dollar volume. This unique background enables her to grasp complicated construction issues as they relate to valuation.

Representative Valuations Include

Office - Existing and proposed office developments for lending institutions, national developers, and investors.

Retail - Proposed and existing shopping centers and franchise restaurants, convenience stores, and pad sites.

Multi-Family Residential - Existing and proposed apartment complexes, in the Sacramento Metropolitan Area, Placer, San Luis Obispo, Santa Clara counties, and Las Vegas, Nevada including low income housing.

Medical - Existing and proposed medical clinics and dental offices.

Mobile Homes - Existing mobile home parks in the Alameda, Sacramento, Solano, and Yolo counties.

Elderly Housing - Proposed congregate care and residential care facilities.

Residential Developments - Proposed and existing residential subdivisions in Sacramento, Placer, El Dorado, Sutter, Yuba and Lake counties.

Eminent Domain - Improved and unimproved properties of partial takings representing municipalities, conservancies, and property owners. Eminent domain valuation of improved properties for the Sacramento Housing and Redevelopment Agency, City of Sacramento, and the City of Roseville.

Professional Affiliations

Member Appraisal Institute (MAI)
Past President, Construction Specifications Institute
President, Commercial Real Estate Women, Sacramento,
International Right-of-Way Association

ADDENDUM D
LISTS OF CFD PROPERTIES, WITH VALUE ALLOCATIONS

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**WOODCREEK EAST CFD NO. 1
RETAIL AND ALLOCATED BULK VALUE - FREE & CLEAR**

Tentative Subdiv. Map Lot #	Land Use Desig.	Property Type	Estimated Acres	Density	Units	Retail \$/Unit (Free&Clear)	Retail \$/Acre (Free&Clear)	Total Retail (Free&Clear)	Allocated Bulk Value (Free&Clear)
I	LDR	Res. 8,180 SF Lots	10.5	4.00	42	\$ 60,000	\$ 240,000	\$ 2,520,000	\$ 2,039,972
II	LDR	Res. 8,180 SF Lots	13.9	4.46	62	\$ 60,000	\$ 267,626	\$ 3,720,000	\$ 3,011,387
III	LDR	Res. 8,510 SF Lots	12.2	4.34	53	\$ 62,000	\$ 269,344	\$ 3,286,000	\$ 2,660,058
IV	LDR	Res. 8,510 SF Lots	22.2	4.05	90	\$ 62,000	\$ 251,351	\$ 5,580,000	\$ 4,517,080
V	LDR	Res. 9,830 SF Lots	25.3	3.52	89	\$ 72,000	\$ 253,281	\$ 6,408,000	\$ 5,187,356
VI	LDR	Res. 8,510 SF Lots	3.0	3.33	10	\$ 62,000	\$ 206,667	\$ 620,000	\$ 501,898
VII	LDR	Res. 9,830 SF Lots	1.3	3.08	4	\$ 72,000	\$ 221,538	\$ 288,000	\$ 233,140
<i>SUBTOTAL - Residential:</i>			88.4		350			\$ 22,422,000	\$ 18,150,890
Open Space/Parks & Rec./Landscape Corridor:			92.3		N/A			\$ -0-	\$ -0-
TOTAL:			180.7		350			\$ 22,422,000	\$ 18,150,890

WOODCREEK EAST CFD NO. 1
RETAIL AND ALLOCATED BULK VALUE - SUBJECT TO SPECIAL TAX

Tentative Subdiv. Map Lot #	Land Use Desig.	Property Type	Estimated Acres	Density	Units	Retail \$/Unit (Subject To Spec. Tax)	Retail \$/Acre (Subject To Spec. Tax)	Total Retail (Subject To Spec. Tax)	Allocated Bulk Val (Subject To Spec. Tax)
I	LDR	Res. 8,180 SF Lots	10.5	4.00	42	\$ 48,000	\$ 192,000	\$ 2,016,000	\$ 1,587,32
II	LDR	Res. 8,180 SF Lots	13.9	4.46	62	\$ 48,000	\$ 214,101	\$ 2,976,000	\$ 2,343,18
III	LDR	Res. 8,510 SF Lots	12.2	4.34	53	\$ 50,000	\$ 217,213	\$ 2,650,000	\$ 2,086,50
IV	LDR	Res. 8,510 SF Lots	22.2	4.05	90	\$ 50,000	\$ 202,703	\$ 4,500,000	\$ 3,543,12
V	LDR	Res. 9,830 SF Lots	25.3	3.52	89	\$ 60,000	\$ 211,067	\$ 5,340,000	\$ 4,204,50
VI	LDR	Res. 8,510 SF Lots	3.0	3.33	10	\$ 50,000	\$ 166,667	\$ 500,000	\$ 393,68
VII	LDR	Res. 9,830 SF Lots	1.3	3.08	4	\$ 60,000	\$ 184,615	\$ 240,000	\$ 188,96
<i>SUBTOTAL - Residential:</i>			88.4		350			\$ 18,222,000	\$ 14,347,29
Open Space/Parks & Rec./Landscape Corridor:			92.3		N/A			\$ -0-	\$ -0-
TOTAL:			180.7		350			\$ 18,222,000	\$ 14,347,29

ADDENDUM E
DISCOUNTED VALUATION ANALYSES

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT

The following summary of the Fiscal Agent Agreement is a summary only and does not purport to be a complete statement of the contents thereof. Reference is made to the Fiscal Agent Agreement for the complete terms thereof.

Definitions

"Acquisition Agreement" means the Funding, Construction and Acquisition Agreement, entered into by and between the City and Highland Reserve North L.P., and any amendments thereto, in connection with payment or reimbursement of the costs of the Project by the City, including for costs of acquisition of portions of the Project.

"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 November 1, 2000, by and between the City and the Trustee, as it may be amended or supplemented from time to time by any Supplemental Agreement.

"Annual Debt Service" means, for each Bond Year, the sum of (i) the interest due on the Outstanding Bonds in such Bond Year, assuming that the Outstanding Bonds are retired as scheduled, and (ii) the principal amount of the Outstanding Bonds including any mandatory sinking fund payments due in such Bond Year.

"Authorized Officer" means the City Finance Director, the City Manager or any other officer or employee authorized by the City Council of the City or by an Authorized Officer to undertake the action referenced in the Fiscal Agent Agreement as required to be undertaken by an Authorized Officer.

"Bond Counsel" means 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, 2001.

"Bonds" means the City of Roseville Woodcreek East Community Facilities District No. 1 Special Tax Bonds Series 2000 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 November 1, 2000, by and among the City and U.S. Trust Company, National Association, 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 by Section 3.03(A) hereof.

"*District*" means the City of Roseville Woodcreek East Community Facilities District No. 1 formed pursuant to the Resolution of Formation.

"*Fair Market Value*" means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (iii) the investment is a United States Treasury Security—State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) the investment is the Local Agency Investment Fund of the State of California, but only if at all times during which the investment is held its yield is reasonably expected to be equal to or greater than the yield on a reasonably comparable direct obligation of the United States.

"*Federal Securities*" means any of the following which are non-callable and which at the time of investment are legal investments under the laws of the State of California for funds held by the Fiscal Agent (the Fiscal Agent entitled to rely upon investment direction from the City as a certification that such investment constitutes a legal investment).

(i) Direct general obligations of the United States of America (including obligations issued or held in book-entry form on the books of the United States Department of the Treasury) and obligations, the payment of principal of and interest on which are directly or indirectly guaranteed by the United States of America, including, without limitation, such of the foregoing which are commonly referred to as "stripped" obligations and coupons; or

(ii) Any of the following obligations of the following agencies of the United States of America: (i) direct obligations of the Export-Import Bank, (ii) certificates of beneficial ownership issued by the Farmers Home Administration, (iii) participation certificates issued by the General Services Administration, (iv) mortgage-backed bonds or passthrough obligations issued and guaranteed by the Government National Mortgage Association, (v) project notes issued by the United States Department of Housing and Urban Development, and (vi) public housing notes and bonds guaranteed by the United States of America.

"*Finance Director*" means the Finance Director, including any Acting Finance Director, of the City.

"*Fiscal Agent*" means the Fiscal Agent appointed by the City and acting as an independent fiscal agent with the duties and powers 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 July 1 in a calendar year to June 30 of the succeeding year, both dates inclusive.

"*Information Services*" means Financial Information, Inc 's "Daily Called Bond Service," 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention Editor; Kenny

Information Services' "Called Bond Service," 65 Broadway, 16th Floor, New York, New York 10064; Moody's Investors Service "Municipal and Government," 5250 77 Center Drive, Charlotte, North Carolina 28217, Attention Municipal News Reports; Standard & Poor's Ratings Services "Called Bond Record," 25 Broadway, 3rd Floor, New York, New York 10004; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such services providing information with respect to called bonds as the City may designate in an Officer's Certificate delivered to the Fiscal Agent.

"*Interest Payment Dates*" means March 1 and September 1 of each year, commencing March 1, 2001.

"*Maximum Annual Debt Service*" means the largest Annual Debt Service for any Bond Year after the calculation is made through the final maturity date of any Outstanding Bonds.

"*Officer's Certificate*" means a written certificate of the City signed by an Authorized Officer of the City.

"*Ordinance*" means any ordinance of the City levying the Special Taxes.

"*Original Purchaser*" means the first purchaser of the Bonds from the City.

"*Outstanding*," when used as of any particular time with reference to Bonds, means (subject to the provisions of the Fiscal Agent Agreement) all Bonds except (i) Bonds theretofore canceled by the Fiscal Agent or surrendered to the Fiscal Agent for cancellation; (ii) Bonds paid or deemed to have been paid within the meaning of the Fiscal Agent Agreement; and (iii) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the City pursuant to the Agreement or any Supplemental Agreement.

"*Owner*" or "*Bondowner*" means any person who shall be the registered owner of any Outstanding Bond.

"*Participating Underwriter*" shall have the meaning ascribed thereto in the Continuing Disclosure Agreement.

"*Permitted Investments*" means any of the following, to the extent that they are lawful investments for City funds at the time of investment, and are acquired at Fair Market Value (the Fiscal Agent entitled to rely upon investment direction from the City as a certification that such investment constitutes a legal investment):

(i) Federal Securities;

(ii) any of following obligations of federal agencies not guaranteed by the United States of America: (a) debentures issued by the Federal Housing Administration; (b) participation certificates or senior debt obligations of the Federal Home Loan Mortgage Corporation or Farm Credit Banks (consisting of Federal Land Banks, Federal Intermediate Credit Banks or Banks for Cooperatives); (c) bonds or debentures of the Federal Home Loan Bank Board established under the Federal Home Loan Bank Act, bonds of any federal home loan bank established under said act and stocks, bonds, debentures, participations and other obligations of or issued by the Federal National Mortgage Association, the Student Loan Marketing Association, the Government National Mortgage Association and the Federal Home Loan Mortgage Corporation; and bonds, notes or other obligations issued or assumed by the International Bank for Reconstruction and Development;

(iii) interest-bearing demand or time deposits (including certificates of deposit) in federal or State of California chartered banks (including the Fiscal Agent), provided that (a) in the case of a savings and loan association, such demand or time deposits shall be fully insured by the Federal Deposit Insurance Corporation, or the unsecured obligations of such savings and loan association shall be rated in one of the top two rating categories by a nationally recognized rating service, and (b) in the case of a bank, such demand or time deposits shall be fully insured by the Federal Deposit Insurance Corporation, or the unsecured obligations of such bank (or the unsecured obligations of the parent bank holding company of which such bank is the lead bank) shall be rated in one of the top two rating categories by a nationally recognized rating service;

(iv) repurchase agreements with a registered broker/dealer subject to the Securities Investors' Protection Corporation Liquidation in the event of insolvency, or any commercial bank provided that: (a) the unsecured obligations of such bank shall be rated in one of the top two rating categories by a nationally recognized rating service, or such bank shall be the lead bank of a banking holding company whose unsecured obligations are rated in one of the top two rating categories by a nationally recognized rating service; (b) the most recent reported combined capital, surplus and undivided profits of such bank shall be not less than \$100 million; (c) the repurchase obligation under any such repurchase obligation shall be required to be performed in not more than thirty (30) days; (d) the entity holding such securities as described in clause (c) shall have a pledged first security interest therein for the benefit of the Fiscal Agent under the California Commercial Code or pursuant to the book-entry procedures described by 31 C.F.R. 306.1 *et seq.* or 31 C.F.R. 350.0 *et seq.* and are rated in one of the top two rating categories by a nationally recognized rating service;

(v) bankers acceptances endorsed and guaranteed by banks described in clause (iv) above;

(vi) obligations, the interest on which is exempt from federal income taxation under Section 103 of the Code and which are rated in the one of the top two rating categories by a nationally recognized rating service;

(vii) money market funds which invest solely in Federal Securities or in obligations described in the preceding clause (ii) of this definition, or money market funds which are rated in the highest rating category by Standard & Poor's Ratings Services or Moody's Investor Service, including funds which are managed or maintained by the Fiscal Agent;

(viii) units of a taxable government money market portfolio comprised solely of obligations listed in (i) or (iv) above;

(ix) any investment which is a legal investment for proceeds of the Bonds at the time of the execution of such agreement, and which investment is made pursuant to an agreement between the City or the Fiscal Agent or any successor Fiscal Agent and a financial institution or governmental body whose long term debt obligations are rated in one of the top two rating categories by a nationally recognized rating service;

(x) commercial paper of "prime" quality of the highest ranking or of the highest letter and numerical rating as provided for by Moody's Investors Service, or Standard and Poor's Corporation, of issuing corporations that are organized and operating within the United States and having total assets in excess of five hundred million dollars (\$500,000,000) and having an "AA" or higher rating for the issuer's

debentures, other than commercial paper, as provided for by Moody's Investors Service or Standard and Poor's Corporation, and provided that purchases of eligible commercial paper may not exceed 180 days maturity nor represent more than 10 percent of the outstanding paper of an issuing corporation;

(xi) any general obligation of a bank or insurance company whose long term debt obligations are rated in one of the two highest rating categories of a national rating service;

(xii) shares in a common law trust established pursuant to Title 1, Division 7, Charter 5 of the Government Code of the State which invests exclusively in investments permitted by Section 53635 of Title 5, Division 2, Chapter 4 of the Government Code of the State, as it may be amended;

(xiii) shares in the California Asset Management Program; or

(xiv) any other lawful investment for City funds.

"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. 00-493, adopted by the City Council of the City on October 11, 2000, which resolution, among other matters, authorized the issuance of the Bonds.

"Resolution of Formation" means Resolution No. 00-489, adopted by the City Council of the City on October 11, 2000, establishing the District for the purpose of providing for the financing of certain public facilities in and for such District.

"Resolution of Intention" means Resolution No. 00-391, adopted by the City Council of the City on August 30, 2000.

"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 Finance Director of the City.

Special Tax Revenues; Flow of Funds

Pledge of Special Tax Revenues. All of the Special Tax Revenues and all moneys deposited in the Bond Fund, the Reserve Fund and, until disbursed as provided in the Fiscal Agent Agreement, in the Special Tax Fund are pledged to secure the repayment of the Bonds. Such pledge shall constitute a first lien on the Special Tax Revenues and said amounts. The Special Tax Revenues and all moneys deposited 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 Woodcreek East Community Facilities District No. 1 Special Tax Bonds, Series 2000, 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.

From time to time, the City may withdraw from the Surplus Account of the Special Tax Fund amounts needed to pay costs of the Project or incidental expenses of the District authorized under the Act. Moneys in the Surplus Account may, at the City's discretion, also be used 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.

Moneys in the Surplus Account will be held in trust by the City for the benefit of the City and the Owners of the Bonds, is required to be disbursed as provided above, and, pending any disbursements, shall be subject to a lien in favor of the Owners of the Bonds.

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 Woodcreek East 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 Finance Director of the amounts so withdrawn from the Reserve Fund. Amounts so withdrawn from the Reserve Fund shall be deposited in the Bond Fund.

If, after the foregoing transfer, there are insufficient funds in the Bond Fund to make the payments provided for to pay regularly scheduled payments of principal of and interest on the Bonds, the Fiscal Agent shall apply the available funds first to the payment of interest on the Bonds, then to the payment of principal due on the Bonds other than by reason of sinking payments, and then to payment of principal due on the Bonds by reason of sinking payments. Any sinking payment not made as scheduled shall be added to the sinking payment to be made on the next sinking payment date.

Deficiency. If at any time it appears to the Fiscal Agent that there is a danger of deficiency in the Bond Fund and that the Fiscal Agent may be unable to pay regularly scheduled debt service on the Bonds in a timely manner, the Fiscal Agent shall report to the Treasurer and Finance Director such fact. The City covenants to increase the levy of the Special Taxes in the next Fiscal Year (subject to the maximum amount authorized by the

Resolution of Formation) in accordance with the procedures set forth in the Act for the purpose of curing Bond Fund deficiencies.

Reserve Fund.

There is established in the Fiscal Agent Agreement as a separate fund to be held by the Fiscal Agent the Woodcreek East 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 Finance Director.

Transfer of Excess of Reserve Requirement. Whenever, on the Business Day prior to any Interest Payment Date, the amount in the Reserve Fund exceeds the then applicable Reserve Requirement, the Fiscal Agent shall transfer an amount equal to the excess from the Reserve Fund to the 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 Finance Director, the Woodcreek East 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 Finance Director and shall be disbursed as provided in the Fiscal Agent Agreement for the payment or reimbursement of costs of the Project.

Procedure for Disbursement. Disbursements from the Improvement Fund shall be made as determined by the Finance Director for the payment or reimbursement of the costs of the Project, including for costs of acquisition of portions of the Project in accordance with the Acquisition Agreement.

Investment. Moneys in the Improvement Fund and the accounts established thereunder shall be invested and deposited in accordance with the Fiscal Agent Agreement. Interest earnings and profits from the investment of amounts in the Improvement Fund shall be retained by the Finance Director in the Improvement Fund to be used for the purposes of the Improvement Fund.

Closing of Fund. Upon the filing of an Officer's Certificate stating that the portion of the Project to be financed from the Improvement Fund and the accounts established thereunder has been completed and that all costs of such portion of the Improvements have been paid or are not required to be paid from the Improvement Fund, the Finance Director shall transfer the amount, if any, remaining in the Improvement Fund to the Fiscal Agent for deposit in the Bond Fund for application to the payment of principal of and interest on the Bonds in accordance with the Fiscal Agent Agreement and the Improvement Fund shall be closed.

Costs of Issuance Fund.

Establishment of Costs of Issuance Fund. There is established under the Fiscal Agent Agreement as a separate fund to be held by the Fiscal Agent, the Woodcreek East Community Facilities District No. 1 Special Tax Bonds Costs of Issuance Fund. Moneys in the Costs of Issuance Fund shall be held in trust by the Fiscal Agent and shall be disbursed for the payment or reimbursement of Costs of Issuance.

Disbursement. Amounts in the Costs of Issuance Fund shall be disbursed from time to time to pay Costs of Issuance, as set forth in a requisition containing respective amounts to be paid to the designated payees, signed by the Treasurer or Finance Director 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 Finance 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 Finance Director with a notice stating the amount then on deposit in the Bond Fund and the Reserve Fund. The receipt of such notice by the Treasurer and Finance Director shall in no way affect the obligations of the Treasurer or Finance Director under the following two paragraphs. Upon receipt of such notice, the Treasurer shall communicate with the Finance Director to ascertain the relevant parcels on which the Special Taxes are to be levied, taking into account any parcel splits during the preceding and then current year.

The City shall effect the levy of the Special Taxes each Fiscal Year in accordance with the Ordinance such that the computation of the levy is complete before the final date on which County Auditor will accept the transmission of the Special Tax amounts for the parcels within the District for inclusion on the next secured real property tax roll. Upon the completion of the computation of the amounts of the levy, the City shall prepare or cause to be prepared, and shall transmit to the Finance Director, such data as the County Auditor requires to include the levy of the Special Taxes on the next secured real property tax roll.

The City shall fix and levy the amount of Special Taxes within the District required for the payment of principal of and interest on any outstanding Bonds of the District becoming due and payable during the ensuing year, including any necessary replenishment or expenditure of the Reserve Fund for the Bonds and an amount estimated to be sufficient to pay the Administrative Expenses during such year, all in accordance with the rate and method of

apportionment of the Special Taxes for the District and the Ordinance. In any event, the Special Taxes so levied shall not exceed the authorized amounts as provided in the proceedings pursuant to the Resolution of Formation.

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

Maintenance of Tax-Exemption. The City shall take all actions necessary to assure the exclusion of interest on the Bonds from the gross income of the Owners of the Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the Bonds.

Investments; Disposition of Investment Proceeds

Deposit and Investment of Moneys in Funds. Moneys in any fund or account created or established by the Fiscal Agent Agreement and held by the Fiscal Agent shall be invested by the Fiscal Agent in Permitted Investments, as directed pursuant to an Officer's Certificate filed with the Fiscal Agent at least two Business Days in advance of the making of such investments.

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 Finance Director in writing of the amount of the shortfall and the Finance 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 been made within thirty (30) days after the Fiscal Agent has given to the City written notice or after a vacancy in the office of the Fiscal Agent shall have occurred by reason of its inability to act, the Fiscal Agent or any Bondowner may apply to any court of competent jurisdiction to appoint a successor Fiscal Agent. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Fiscal Agent.

Modification or Amendment of Fiscal Agent Agreement

The Fiscal Agent Agreement and the rights and obligations of the City and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Agreement pursuant to the affirmative vote at a meeting of Owners, or with the written consent without a meeting, of the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Fiscal Agent Agreement. No such modification or amendment shall (i) extend the maturity of any Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the City to pay the principal of, and the interest and any premium on, any Bond, without the express consent of the Owner of such Bond, or (ii) permit the creation by the City of any pledge or lien upon the Special Taxes superior to or on a parity with the pledge and lien created for the benefit of the Bonds (except as otherwise permitted by the Act, the laws of the State of California or the Fiscal Agent Agreement), or reduce the percentage of Bonds required for the amendment hereof. No such amendment may modify any of the rights or obligations of the Fiscal Agent without its written consent.

The Fiscal Agent Agreement and the rights and obligations of the City and of the Owners may also be modified or amended at any time by a Supplemental Agreement, without the consent of any Owners, only to the extent permitted by law and only for any one or more of the following purposes:

(A) to add to the covenants and agreements of the City in the Fiscal Agent Agreement contained, other covenants and agreements thereafter to be observed, or to limit or surrender any right or power in the Fiscal Agent Agreement reserved to or conferred upon the City;

(B) to make modifications not adversely affecting any outstanding series of Bonds of the City in any material respect;

(C) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Fiscal Agent Agreement, or in regard to questions arising under the Fiscal Agent Agreement, as the City and the Fiscal Agent may deem necessary or desirable, and which shall not adversely affect the rights of the Owners of the Bonds;

(D) to make such additions, deletions or modifications as may be necessary or desirable to assure compliance with Section 148 of the Code relating to required rebate of excess investment earnings to the United States or otherwise as may be necessary to assure exclusion from gross income for federal income tax purposes of interest on the Bonds or to conform with the Regulations.

Procedure for Amendment with Written Consent of Owners. The City and the Fiscal Agent may at any time enter into a Supplemental Agreement amending the provisions of the Bonds or of the Fiscal Agent Agreement or any Supplemental Agreement, to the extent that such amendment is permitted by the Fiscal Agent Agreement. A copy of such Supplemental

Agreement, together with a request to Owners for their consent thereto, if such consent is required, shall be mailed by first class mail, by the Fiscal Agent to each Owner of Bonds Outstanding, but failure to mail copies of such Supplemental Agreement and request shall not affect the validity of the Supplemental Agreement when assented to as in the Fiscal Agent Agreement.

If consent of the Owners is required, such Supplemental Agreement shall not become effective unless there shall be filed with the Fiscal Agent the written consents of the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding (exclusive of Bonds disqualified as provided in the Fiscal Agent Agreement) and a notice shall have been mailed as provided in the Fiscal Agent Agreement.

Miscellaneous

Discharge of Agreement. If the City has paid and discharged the entire indebtedness on all or any portion of the Bonds Outstanding in any one or more of the following ways:

(A) by well and truly paying or causing to be paid the principal of, and interest and any premium on, such Bonds Outstanding, as and when the same become due and payable;

(B) by depositing with the Fiscal Agent, in trust, at or before maturity, money which, together with (in the event that all of the Bonds are to be defeased) the amounts then on deposit in the funds and accounts provided for in the Fiscal Agent Agreement, is fully sufficient to pay such Bonds Outstanding, including all principal, interest and redemption premiums, or;

(C) by irrevocably depositing with the Fiscal Agent, in trust, cash and Federal Securities in such amount as the City shall determine as confirmed by an independent certified public accountant will, together with the interest to accrue thereon and (in the event that all of the Bonds are to be defeased) moneys then on deposit in the fund and accounts provided for in the Fiscal Agent Agreement, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates;

and if such Bonds are to be redeemed prior to the maturity thereof notice of such redemption has been given as in the Fiscal Agent Agreement provided or provision satisfactory to the Fiscal Agent has been made for the giving of such notice, then, at the election of the City, and notwithstanding that any Bonds shall not have been surrendered for payment, the pledge of the Special Taxes and other funds provided for in the Fiscal Agent Agreement and all other obligations of the City under the Fiscal Agent Agreement with respect to such Bonds Outstanding shall cease and terminate, except only the obligations of the City with respect to maintenance of the tax exemption of the Bonds and to pay or cause to be paid to the Owners of the Bonds not so surrendered and paid all sums due thereon and all amounts owing to the Fiscal Agent; and thereafter Special Taxes shall not be payable to the Fiscal Agent.

Any funds thereafter held by the Fiscal Agent upon payments of all fees and expenses of the Fiscal Agent, which are not required for said purpose, shall be paid over to the City.

Execution of Documents and Proof of Ownership by Owners. Any request, declaration or other instrument which the Fiscal Agent Agreement may require or permit to be executed by Owners may be in one or more instruments of similar tenor, and shall be executed by Owners in person or by their attorneys appointed in writing.

Except as otherwise expressly provided in the Fiscal Agent Agreement, the fact and date of the execution by any Owner or his attorney of such request, consent, declaration or other instrument, or of such writing appointing such attorney, may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request, declaration or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer.

Except as otherwise expressly provided in the Fiscal Agent Agreement, the ownership of registered Bonds and the amount, maturity, number and date of holding the same shall be proved by the registry books.

Any request, consent, declaration or other instrument or writing of the Owner of any Bond shall bind all future Owners of such Bond in respect of anything done or suffered to be done by the City or the Fiscal Agent in good faith and in accordance therewith.

Waiver of Personal Liability. No member, officer, agent or employee of the City shall be individually or personally liable for the payment of the principal of, or interest or any premium on, the Bonds; but nothing 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

The District is located in the City of Roseville. The financial and economic data for the City are presented for information purposes only. The Bonds are not a debt or obligation of the City, but are a limited obligation of the City secured solely by the funds held pursuant to the Fiscal Agent Agreement.

The City of Roseville is located in Placer County, in California's Sacramento Valley, near the foothills of the Sierra Nevada mountain range, about 16 miles northeast of Sacramento and 110 miles east of San Francisco. The City, with a population estimated to be approximately 74,200 at January 1, 2000, is the largest city in Placer County as well as the residential and industrial center of the County.

The City has warm summers typical of central California, with an average July temperature of 77 degrees. Winter temperatures are moderate; the average January temperature is 46 degrees. The temperature drops below freezing an average of eight days per year. Rainfall averages 20 inches annually and falls mostly during the winter.

There is a wide variety of land uses within the City. Most of the City's residential neighborhoods are located west of Interstate Highway 80; industrial facilities, including Hewlett-Packard, NEC Electronics, Inc. and Roseville Telephone Company are concentrated in the north Roseville area.

Municipal Government

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

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

Population

Between 1996 and 2000, the City's population increased 24.1%, compared to a 13.6% increase for the County and 6.6% for the State for the same period. The City's growth in population is shown below.

**City of Roseville
Population
1996 through 2000**

<u>Year (As of January 1)</u>	<u>City of Roseville</u>	<u>County of Placer</u>	<u>State of California</u>
1996	59,804	206,300	32,223,000
1997	63,479	212,400	32,670,000
1998	67,338	219,400	33,226,000
1999	72,126	227,500	33,776,000
2000	74,234	234,400	34,336,000

*Source: California State Department of Finance.
Source: City of Roseville*

Employment and Industry

Placer County, along with El Dorado and Sacramento Counties, comprise the Sacramento Metropolitan Statistical Area. The following table summarizes the labor force, employment and unemployment figures over the past five years for Placer County, the Sacramento Metropolitan Statistical Area, the State and the United States.

**Placer County, Sacramento MSA, State of California, United States
Labor Force, Employment and Unemployment
Annual Average for Calendar Years 1995 through 1999**

<u>Year and Area</u>	<u>Civilian Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Rate</u>
1995				
Placer County	102,700	96,300	6,400	6.2%
Sacramento MSA	714,400	666,200	48,200	6.7
State of California	15,427,200	14,216,700	1,210,500	7.8
United States	132,304,000	124,900,000	7,404,000	5.6
1996				
Placer County	104,100	98,400	5,700	5.4%
Sacramento MSA	722,200	679,000	43,200	6.0
State of California	15,596,100	14,469,900	1,126,200	7.2
United States	133,943,000	126,708,000	7,235,000	5.4
1997				
Placer County	111,100	106,000	5,100	4.8%
Sacramento MSA	741,700	702,000	39,700	5.4
State of California	15,941,200	14,936,900	1,004,300	6.2
United States	136,297,000	129,558,000	6,739,000	4.9
1998				
Placer County	113,700	109,000	4,700	4.1%
Sacramento MSA	759,400	722,600	36,800	4.9
State of California	16,329,100	15,360,600	968,500	5.9
United States	137,673,000	131,463,000	6,210,000	4.5
1999				
Placer County	114,500	109,900	4,600	3.5%
Sacramento MSA	787,900	756,300	31,600	4.0
State of California	16,424,000	15,518,800	905,200	5.5
United States	139,091,000	133,069,000	6,022,000	4.3

Source: California Employment Development Department.

The table set forth below shows the distribution of employment by industry in the Sacramento Metropolitan Statistical Area labor market.

**Sacramento Metropolitan Statistical Area
Labor Force, Employment and Unemployment
Annual Average for Calendar Years 1995 through 1999**

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
Total Industry Employment	590,600	608,900	629,000	655,700	690,900
Agriculture	3,600	3,700	3,800	3,700	4,100
Total Nonagriculture	587,000	605,200	625,200	652,000	686,800
Mining & Construction	27,800	30,200	33,400	37,300	44,000
Manufacturing	40,700	43,300	45,300	46,800	48,100
Food Processing	5,600	5,400	5,200	5,200	5,400
Other Manufacturing	35,100	37,900	35,100	41,600	42,700
Transportation & Public Utilities	25,000	24,800	24,700	26,200	27,500
Wholesale Trade	22,900	24,000	25,000	25,900	26,600
Retail Trade	108,300	109,800	111,700	114,200	118,100
Finance, Insurance & Real Estate	38,900	39,300	42,200	47,500	50,400
Services	157,700	167,100	173,900	182,500	193,500
Government	165,800	166,700	169,100	171,800	178,600
Federal Government	20,300	19,200	18,500	16,900	14,700
State and Local Government	145,500	147,500	150,700	154,900	163,900

Source: State Employment Development Department, Labor Market Information Division

The unemployment rate in the Sacramento MSA declined from 4.7 percent in July 2000 to 4.0 percent in August 2000, but was slightly above the year-ago estimate of 3.8 percent. The August 2000 estimate compares favorably with the unadjusted unemployment rates of 5.0 percent for California and 4.1 percent for the nation during the same time period.

The total number of wage and salary jobs in the Sacramento MSA expanded from 712,600 in July 2000 to 717,000 in August 2000 for a net gain of 4,400 jobs.

The largest monthly increase occurred in government, where 1,800 jobs were added, largely due to gains in local and state education segments. Farm payrolls expanded by 1,000 jobs, while manufacturing and retail trade each added 500 jobs. The transportation and public utilities and the finance, insurance and real estate industry divisions each added 200 jobs. Construction and wholesale trade increased by 100 jobs each, while the services industry remained stable.

Over-the-year (August 1999 to August 2000) the total job count was up by 18,600 or 2.7 percent. Government experienced the largest gain of 5,800 jobs. Local education accounted for nearly 70 percent of the increase. Services employment increased by 4,900 jobs and retail trade by 3,300. Manufacturing employment, which recently topped 50,000 jobs for the first time, was up by 1,700 jobs, largely due to gains in electronics and other durable goods sectors. Also at a record high level, construction employment was up 1,400 jobs over last year. The finance, insurance and real estate industry division increased by 800 jobs, wholesale trade by 500 jobs and the transportation and public utilities industry division by 300 jobs. Farm employment was down slightly by 100 jobs.

In July 2000, NEC announced that the expansion of the Roseville plant would proceed in fiscal year 2000-01 and would open in 2002. The City expects that this large-scale manufacturing facility will add largely to the local economy. Agilent Technologies, Inc. is the largest new company to be established in the City during the past fiscal year, with approximately 450 employees. TASQ Technology expanded its South Placer County facilities

by leasing 100,000 square feet in the Sierra Business Center in the City. TASQ employs a total of 420 people, with 350 locally and 70 at an Atlanta location. 150 of these employees are located in the City.

The table below lists the ten largest employers in the City. As shown below, Hewlett-Packard added approximately 1,570 employees from 1999 to 2000.

**LARGEST EMPLOYERS
During 1999 and 2000**

<u>Business</u>	<u>No. of Employees- 1999</u>	<u>No. of Employees- 2000</u>
Hewlett-Packard	4,430	6,000
NEC Electronics Inc.	1,500	1,516
Sutter Roseville Medical Center	1,412	1,500
Kaiser-Permanente	1,394	1,394
Union Pacific Railroad	1,000	1,294
Roseville Joint Union High School Dist.	583	980
City of Roseville	818	870
Roseville Communications Co.	601	688
Roseville City Schools	572	625
Agilent Technologies	N/A	450

Source: City of Roseville. Business Licensing Division

Construction

The City issued building permits valued in excess of \$482.7 million in 1999. Of this total dollar volume, approximately 56% consisted of new residential construction. The following table shows residential building permits issued, and non-residential building permits, in permitted square feet, for calendar years 1995 through the first two quarters of 2000.

**City of Roseville
Building Permits
Calendar Years 1995 through 1999; First Two Quarters of 2000**

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000 ⁽²⁾</u>
<u>Residential</u>						
Single Family Units	1,379	1,601	1,672	2,023	1,202	683
Multi-family Units	<u>0</u>	<u>93</u>	<u>356</u>	<u>440</u>	<u>269</u>	<u>400</u>
Total	1,379	1,694	2,028	2,463	1,471	1,083
<u>Non-Residential ⁽¹⁾</u>						
Commercial/Retail	266,431	417,036	394,570	532,641	1,746,556	389,641
Business/Prof. Office	439,915	132,470	277,131	460,699	971,829	62,000
Ind/Warehouse	399,753	488,450	361,405	1,085,231	659,245	362,991
School/Church/Parks	<u>63,240</u>	<u>29,820</u>	<u>71,644</u>	<u>30,200</u>	<u>57,460</u>	<u>62,984</u>
Total	1,169,339	1,067,776	1,104,750	2,108,771	3,435,090	877,616

(1) In square feet

(2) First two quarters only

Source: City of Roseville.

Residential Development. As of July 1, 2000, 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 1,842 building permits, including building permits for 585 apartment units, were issued by the City's Building Division in fiscal year 1999-00. The highest monthly total was in December 1999 with 173 single family permits issued. The final 49 building permits in Del Webb's Sun City Roseville were issued in September 1999. The North Area Specific Plan Area is now the most active location for homebuilders in the City followed closely by the Northwest Roseville Specific Plan. Property in the District is not within a specific plan area but is immediately east of residential zoned property under construction in the North Roseville Specific Plan area.

The City's building permit activity is second only to Sacramento County when compared to jurisdictions throughout the northern Central Valley. The City's developers account for three times as much activity as seen in unincorporated Placer County and the neighboring city of Rocklin. With over 60 active subdivisions, the City expects that single family homebuilders will continue their strong activity. Developers in the North Roseville Specific Plan and Stoneridge Specific Plan received their first building permits this fiscal year and have begun construction on both model home complexes and units for sale.

Multi-Family Residential Development. As of July 1, 2000, a total of 2,554 multifamily units were in process, approved, or under construction. With the City's current inventory of 6,260 units (as of July 1, 2000) the new construction activity represents a 41% increase in the total multi-family units in the City. Based on research provided by Marcus & Millichap's Research Services, the City's vacancy rate has fallen to a low of 1.6% in the second quarter of 2000 while the average rent has increased to a high of \$869. Marcus & Millichap projects that with the continued population and job growth in Roseville and Placer County, the vacancy level in the City will remain below three percent as new development is completed.

Industrial Development. Roseville currently has a total of 6,287,877 square feet of developed industrial space. 56,397 square feet were constructed in fiscal year 1999-00. As of July 1, 2000, 965,933 square feet of industrial projects were under construction.

Office Space Development. The City has a total of 4,755,313 square feet of office space as of July 1, 2000. Developers added 982,316 square feet of office space during fiscal year 1999-00. Office space developers are constructing 307,427 square feet, and the City expects to have over 11 million square feet of office development when all property within the current City limits is developed. It is estimated that approximately 8.4 million square feet will be developed by the year 2020.

Commercial Development. As of July 1, 2000, the City had 6,187,340 square feet of commercial space. Developers built 226,544 of this space during fiscal year 1999-00. Commercial construction completed in fiscal year 1999-00 included four new gasoline service stations, two drug stores, two restaurants, four automobile-related retail uses, and other uses. In addition, over 1.7 million square feet of retail space is currently under construction, which is expected to receive occupancy permits during the beginning of fiscal year 2000-01. A majority of this space is at the Galleria at Roseville, the City's 1.1 million square foot regional mall which has been under construction since 1998. Creekside Town Center is a mixed-use development with 802,000 square feet of retail, 435,000 square feet of office and two hotel sites. The City's second Home Depot is under construction in the Stanford Crossings shopping center. A neighborhood shopping center anchored by Long's Drugs has open in the Southeast Roseville Specific Plan during 2000.

Taxable Sales

During calendar year 1999, reported total taxable sales in the City amounted to \$2,012,940,000, a 21.3% increase over total taxable transactions of \$1,659,616,000 that were

reported during calendar year 1998. Taxable transactions in the City now exceed \$2 billion annually. A summary of taxable transactions in the City is shown below. Itemized figures for 1999 are not yet available.

**City of Roseville
Taxable Transactions
Calendar Years 1994 through 1998
(Dollars in thousands)**

	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>
Apparel	\$24,663	\$24,733	\$ 26,660	\$ 31,738	\$ 29,863
General Merchandise	93,940	104,342	133,497	168,402	185,347
Drug Stores	12,732	13,215	14,739	(1)	(1)
Food Stores	37,977	37,339	40,119	42,575	46,327
Liquor Stores	1,237	1,388	(2)	(1)	(1)
Eating and Drinking Places	51,393	57,742	70,203	84,277	93,141
Home Furnishing and Apps.	20,406	17,011	17,547	23,796	32,623
Building Mtls and Farm Impts.	69,123	78,022	85,910	98,107	106,667
Service Stations	34,690	36,690	46,504	50,104	601,395
Auto Dealers and Auto Supplies	446,784	492,629	412,199	543,251	50,189
Miscellaneous	<u>76,283</u>	<u>88,630</u>	<u>112,568⁽³⁾</u>	<u>138,286⁽³⁾</u>	<u>169,936</u>
TOTAL RETAIL OUTLETS	\$869,228	\$951,741	\$959,946	\$1,180,536	\$1,315,488
ALL OTHER OUTLETS	<u>\$169,233</u>	<u>\$205,168</u>	<u>\$215,787</u>	<u>\$ 296,081</u>	<u>\$ 344,128</u>
TOTAL ALL OUTLETS	<u>\$1,038,461</u>	<u>\$1,156,909</u>	<u>\$1,175,733</u>	<u>\$1,476,617</u>	<u>\$1,659,616</u>
TOTAL NUMBER OF PERMITS	2,099	2,184	2,315	2,471	2,423

- (1) Drug stores have been merged with general merchandise stores and packaged liquor stores have been merged with other retail stores.
- (2) Disclosure of sales in this category omitted in this year.

Source: California State Board of Equalization.

APPENDIX E
FORM OF OPINION OF BOND COUNSEL

November 9, 2000

City Council
City of Roseville
311 Vernon Street
Roseville, California 94111

OPINION: \$5,465,000 City of Roseville Woodcreek East Community Facilities District
No. 1 Special Tax Bonds Series 2000

Members of the City Council:

We have acted as bond counsel in connection with the issuance by the City of Roseville (the "City") of \$5,465,000 City of Roseville Woodcreek East Community Facilities District No. 1 Special Tax Bonds Series 2000 (the "Bonds"), pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, constituting Section 53311, et seq. of the California Government Code (the "Act") and a Fiscal Agent Agreement dated as of November 1, 2000 (the "Fiscal Agent Agreement") by and between the City on behalf of the City of Roseville Woodcreek East Community Facilities District and U.S. Trust Company, National Association. We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the City contained in the Fiscal Agent Agreement, and in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The City is duly created and validly existing as a public body, corporate and politic, with the power to adopt the resolution authorizing the issuance of the Bonds, enter into the Fiscal Agent Agreement, and perform the agreements on its part contained therein and issue the Bonds.

2. The Bonds have been duly authorized, executed and delivered by the City and are valid and binding limited obligations of the City, payable solely from the sources provided therefor in the Fiscal Agent Agreement.
3. The Fiscal Agent Agreement has been duly entered into by the City and constitutes a valid and binding obligation of the City enforceable upon the City.
4. Pursuant to the Act the Fiscal Agent Agreement creates a valid lien on the funds pledged by the Fiscal Agent Agreement.

3. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings. The opinion set forth in the preceding sentence is subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Bonds in order that such interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The City has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

6. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Fiscal Agent Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully submitted,

APPENDIX F
FORM OF CONTINUING DISCLOSURE UNDERTAKINGS

**CONTINUING DISCLOSURE AGREEMENT
(City)**

THIS CONTINUING DISCLOSURE AGREEMENT (the "Disclosure Agreement") is dated as of November 1, 2000, is by and among the City of Roseville, a public body, corporate and politic, organized and existing under and by virtue of the laws of the State of California (the "Issuer" or the "City"), and U.S. Trust Company, National Association, a national banking association duly organized and validly existing under the laws of the United States (the "Bank"), in its capacity as Dissemination Agent (the "Dissemination Agent").

WITNESSETH:

WHEREAS, pursuant to the Fiscal Agent Agreement, dated as of October 1, 2000 (the "Agreement"), by and between the City and the Fiscal Agent, the City has issued its City of Roseville Woodcreek East Community Facilities District No. 1 Special Tax Bonds Series 2000 (the "Bonds"), in the aggregate principal amount of \$5,465,000; and

WHEREAS, this Disclosure Agreement is being executed and delivered by the City, the Fiscal Agent and the Dissemination Agent for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter of the Bonds in complying with Securities and Exchange Commission Rule 15c2-12(b)(5);

NOW, THEREFORE, for and in consideration of the mutual promises and covenants herein contained, the parties hereto agree as follows:

SECTION 1. Definitions. In addition to the definitions set forth in the Agreement, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 2 and 3 of this Disclosure Agreement.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Disclosure Representative" shall mean the designees of the City to act as the disclosure representative.

"Dissemination Agent" shall mean the Bank, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the City and which has filed with the Fiscal Agent a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 4(a) of this Disclosure Agreement and any other event legally required to be reported pursuant to the Rule.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule, as they may be designated from time to time pursuant to the Rule.

"Official Statement" means the Official Statement, dated October 25, 2000, relating to the Bonds.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean each National Repository and each State Repository.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of California.

"State Repository" shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Agreement, there is no State Repository.

SECTION 2. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than January 15 after the end of the City's fiscal year, commencing with the fiscal year ending June 30, 2000, 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 send a notice to the Municipal Securities Rulemaking Board in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and the State Repository, if any; and

(ii) (if the Dissemination Agent is other than the City), to the extent appropriate information is available to it, file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure

Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 3. Content of Annual Reports. The City's Annual Report shall contain or include by reference the following:

- (a) The following information:
 - 1. Principal amount of Bonds outstanding.
 - 2. Balance in the improvement fund or construction account.
 - 3. Balance in debt service reserve fund, and statement of the reserve fund requirement. Statement of projected reserve fund draw, if any.
 - 4. Balance in other funds and accounts held by Issuer or fiscal agent related to the Bonds.
 - 5. Additional debt authorized by the City and payable from or secured by assessments or special taxes with respect to property within the District.
 - 6. The Special Tax levy, the delinquency rate, total amount of delinquencies, number of parcels delinquent in payment.
 - 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 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 WOODCREEK EAST COMMUNITY FACILITIES DISTRICT AND SECURING THE BONDS) ARE REQUIRED TO BE USED TO PAY DEBT SERVICE ON THE BONDS AND THE CITY IS NOT OBLIGATED TO ADVANCE AVAILABLE FUNDS FROM THE CITY TREASURY TO COVER ANY DELINQUENCIES. INVESTORS SHOULD NOT RELY ON THE FINANCIAL CONDITION OF THE CITY IN EVALUATING WHETHER TO BUY, HOLD OR SELL THE BONDS.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues with respect to which the City is an "obligated person" (as defined by the Rule), which have been filed with each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The City shall clearly identify each such other document so included by reference.

SECTION 4. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 4, the City shall give an Officer's Certificate including notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults.
3. Modifications to rights of Bondholders.
4. Optional, contingent or unscheduled Bond calls.
5. Defeasances.
6. Rating changes.
7. Adverse tax opinions or events affecting the tax-exempt status of the Bonds.
8. Unscheduled draws on the debt service reserves, if any, reflecting financial difficulties.
9. Unscheduled draws on credit enhancements reflecting financial difficulties.
10. Substitution of credit or liquidity providers, or their failure to perform.
11. Release, substitution, or sale of property securing repayment of the Bonds.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City shall as soon as possible determine if such event would constitute material information for Holders of Bonds, provided, that any event under subsection (a)(6) will always be defined to be material.

(c) If the City has determined that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities laws, the City shall promptly notify the Dissemination Agent by Officer's Certificate. Such Officer's Certificate shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (e).

(d) If in response to a request under subsection (b), the City determines that the Listed Event would not be material under applicable federal securities laws, the City shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (e).

(e) If the Dissemination Agent has been instructed by the City to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the Repository. Notwithstanding the foregoing:

SECTION 5. Termination of Reporting Obligation. The obligations of the City, the Dissemination Agent under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 4(e) hereof. If the City's obligations under the Agreement are assumed in full by some other entity, such person shall be responsible for

compliance with this Disclosure Agreement in the same manner as if it were the City, and the City shall have no further responsibility hereunder.

SECTION 6. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign at any time by providing at least 30 days' notice in writing to the Issuer and the City.

SECTION 7. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the City and the Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent shall agree to any amendment so requested by the Issuer, provided no amendment increasing or affecting the obligations or duties of the Dissemination Agent shall be made without the consent of either such party) and any provision of this Disclosure Agreement may be waived if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to the Issuer, the City and the Dissemination Agent to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

SECTION 8. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Agreement, the City shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 9. Duties, Immunities and Liabilities of Fiscal Agent and Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their respective powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Bondholders, or any other party. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 10. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the City:	City of Roseville 311 Vernon Street Roseville, California 95678 Attn: CFD Administrator
--------------	--------------------------------------------------------------------------------------------------

To the Dissemination Agent: U.S. Trust Company, National Association
One Embarcadero Center, Suite 2050
San Francisco, CA 94111
Attention: Corporate Trust Division

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

SECTION 11. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the City, the Dissemination Agent, the Fiscal Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 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 Woodcreek East
Community Facilities District No. 1

By: _____
Authorized Officer

U.S. TRUST COMPANY, NATIONAL
ASSOCIATION, as Dissemination Agent

By: _____
Authorized Officer

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Roseville
Name of Bond Issue: \$5,465,000 City of Roseville Woodcreek East Community
Facilities District No. 1 Special Tax Bonds Series 2000
Date of Issuance: November 9, 2000

NOTICE IS HEREBY GIVEN that the City of Roseville (the "City") on behalf of City of Roseville Woodcreek East Community Facilities District No. 1 has not provided an Annual Report with respect to the above-named Bonds as required by the Fiscal Agent Agreement, dated as of November 9, 2000, by and between the City and U.S. Trust Company, National Association, as Fiscal Agent. The City anticipates that the Annual Report will be filed by _____.

Dated: _____

U.S. TRUST COMPANY, NATIONAL ASSOCIATION, as Dissemination Agent, on behalf of City of Roseville Woodcreek East Community Facilities District No. 1

By: _____
Authorized Officer

cc: City of Roseville

**CONTINUING DISCLOSURE AGREEMENT
(Developer)**

THIS CONTINUING DISCLOSURE AGREEMENT (the "Disclosure Agreement") dated as of October 1, 2000, is by and between Highland Reserve North Limited Partnership (the "Developer") and U.S. Trust Company, National Association, a national banking association duly organized and validly existing under the laws of the United States (the "Bank"), in its capacity as dissemination agent (the "Dissemination Agent").

WITNESSETH:

WHEREAS, pursuant to the Fiscal Agent Agreement, dated as of October 1, 2000 (the "Agreement"), by and between the City and the Bank, in its capacity as Fiscal Agent thereunder, the City has issued its City of Roseville Woodcreek East Community Facilities District No. 1 Special Tax Bonds Series 2000 (the "Bonds"), in the aggregate principal amount of \$5,465,000; 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 Bonds and in order to assist the Participating Underwriter of the Bonds in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) and to assist in the marketing of the Bonds;

NOW, THEREFORE, for and in consideration of the mutual promises and covenants herein contained, the parties hereto agree as follows:

SECTION 1. Definitions. In addition to the definitions set forth in the Agreement, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Developer pursuant to, and as described in, Sections 2 and 3 of this Disclosure Agreement.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Dissemination Agent" shall mean the Bank, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the City and which has filed with the Fiscal Agent a written acceptance of such designation.

"Issuer" shall mean the City of Roseville, Placer County, California.

"Listed Events" shall mean any of the events listed in Section 4(a) of this Disclosure Agreement and any other event legally required to be reported pursuant to the Rule.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule, as they may be designated from time to time pursuant to the Rule.

“Official Statement” means the Official Statement, dated October 25, 2000, relating to the Bonds.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Project” shall mean the 350-lot residential subdivision within the District, as described in the Official Statement dated October 25, 2000.

“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.

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, 2001 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 same manner as for a Listed Event under Section 4(c).

(b) If by fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the Repositories, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with subsection (a).

(c) If the Developer is unable to provide to the Dissemination Agent an Annual Report by the date required in subsection (a), the Developer shall send a notice to the Dissemination Agent substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and the State Repository, if any; and

(ii) (if the Dissemination Agent is other than the Developer), to the extent appropriate information is available to it, file a report with the Developer certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 3. Content of Annual Reports. The Developer's Annual Report shall contain or incorporate by reference the following, if material:

(a) Any significant changes in the information contained in the Official Statement under the headings: "THE DISTRICT - Anticipated Development in the District" " - Development Agreement," and "OWNERSHIP OF PROPERTY WITHIN THE DISTRICT" and the status of completion of the Improvements (as defined in the Official Statement).

(b) An update to the material in "Developer's Financing Plan" (including the Projected Land Sale Proforma) appearing on or about page 36 of the Official Statement; such update shall be for the years shown and shall reflect approximate actual data for the projected time periods which have concluded and updated projections for the periods to come.

(c) A general description of the development status of the property within the District owned by the Developer and status of tentative map for the property.

(d) A listing of property within the District sold by the Developer since the date of the Official Statement.

(e) A description of any change in the legal structure of the Developer.

(f) 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.

(g) Any denial of credit, lines of credit, loans or loss of source of capital that could have a significant impact on the Developer's ability to pay the Special Tax or other taxes or assessments or to comply with its obligations under the Development Agreement.

(h) Any failure by the Developer to pay when due general property taxes or assessments or special taxes with respect to its property in the District.

(i) Any previously undisclosed amendments to the land use entitlements or environmental conditions or other governmental conditions that are necessary to complete the development plan.

(j) A description of any changes to the Development Agreement which materially adversely affect the development of the property within the District as set forth in the Official Statement.

SECTION 4. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 4, the Developer shall give, to the Dissemination Agent, notice of the occurrence of any of the following events with respect to the Bonds, if material:

(i) failure to pay any real property taxes (including any assessments or special taxes) levied within the District on a parcel owned by the Developer.

(ii) the discovery of toxic material or hazardous waste which will require remediation on any property owned by the Developer subject to the Special Tax.

(iii) default by the Developer on any loan with respect to the construction or permanent financing of public or private improvements with respect to the Project.

- (iv) Initiation of bankruptcy proceedings (whether voluntary or involuntary) by the Developer or any related entity.

(b) Whenever the Developer obtains knowledge of the occurrence of a Listed Event, the Developer shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If the Developer determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Developer shall promptly provide a notice of such occurrence to the Dissemination Agent, with a copy to the Issuer.

SECTION 5. Termination of Reporting Obligation. The obligations of the Developer and the Dissemination Agent under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. In addition the Developer shall have no obligations hereunder if the Special Tax of the District on all property within the District owned by the Developer and affiliates or partners thereof is less than twenty percent (20%) of the total Special Tax for the entire District. If such termination occurs prior to the final maturity of the Bonds, the Developer shall give notice of such termination in the same manner as for a Listed Event under Section 4(c).

SECTION 6. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Developer and the Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent shall agree to any amendment so requested by the Developer, provided no amendment increasing or affecting the obligations or duties of the Dissemination Agent shall be made without the consent of either such party), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 2(a), 3, or 4(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements or change in law;

(b) The amendment or waiver either (i) is approved by the Bondholders of the Bonds in the same manner as provided in the Agreement for amendments to the Agreement with the consent of Bondholders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondholders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Developer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type of information being presented by the Developer.

SECTION 7. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Developer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Developer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Developer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 8. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Developer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their respective powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the Developer for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Bondholders, or any other party. The obligations of the Developer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 9. Subsequent Developers. The Developer will require, as a condition of sale of any property which the Developer sells within the Project resulting in a new owner who, together with affiliates or partners thereof, owns at least twenty percent (20%) of the total assessments for the entire District, that such purchaser execute an agreement substantially in the form of this Disclosure Agreement, unless this Disclosure Agreement, as it may be amended from time to time, by its own terms would not require the purchaser to provide any disclosure.

SECTION 10. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the Developer	Highland Reserve North Limited Partnership c/o Richland Communities, Inc. 2220 Douglas Blvd., Suite 290 Roseville, California 95661
To the Dissemination Agent:	U.S. Trust Company, National Association One Embarcadero Center, Suite 2050 San Francisco, CA 94111 Attention: Corporate Trust Division
To the Issuer/City:	City of Roseville 311 Vernon Street Roseville, California 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 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

IN WITNESS WHEREOF, the parties hereto have executed this Disclosure Agreement as of the date first above written.

HIGHLAND RESERVE NORTH LIMITED
PARTNERSHIP

By: _____

Its: _____

U.S. TRUST COMPANY, NATIONAL
ASSOCIATION,
as Dissemination Agent

By: _____
Authorized Officer

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Roseville

Name of Bond Issue: \$5,465,000 City of Roseville, Woodcreek East Community Facilities District No. 1, Special Tax Bonds, Series 2000

Date of Issuance: November 9, 2000

NOTICE IS HEREBY GIVEN that Highland Reserve North Limited Partnership (the "Developer") has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement of the Developer dated as of the date of issuance of such Bonds. The Developer anticipates that the Annual Report will be filed by _____.

Dated: _____

on behalf of the Developer

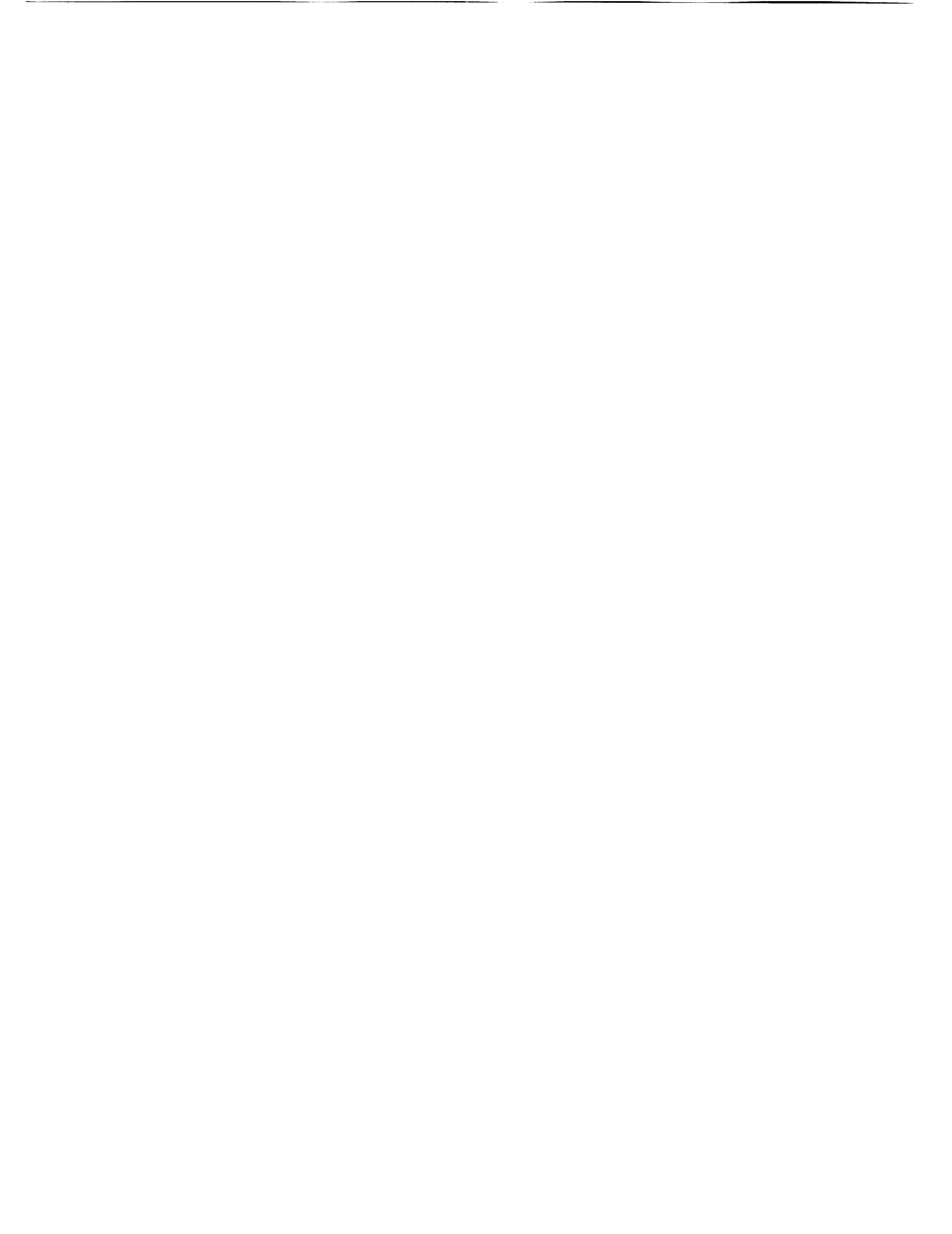
By: _____

Its: _____

cc: Developer

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118672

MSRB

FORM G-36(OS) – FOR OFFICIAL STATEMENTS

SECTION I – MATERIALS SUBMITTED

A. THIS FORM IS SUBMITTED IN CONNECTION WITH (check one):

1 A FINAL OFFICIAL STATEMENT RELATING TO A PRIMARY OFFERING OF MUNICIPAL SECURITIES (enclose two (2) copies)(a) DATE RECEIVED FROM ISSUER: 11-2-00 (b) DATE SENT TO MSRB: 11-2-002 AN AMENDED OFFICIAL STATEMENT WITHIN THE MEANING OF RULE G-36(d) (enclose two (2) copies)

(a) DATE RECEIVED FROM ISSUER: _____ (b) DATE SENT TO MSRB: _____

B. IF MATERIALS SUBMITTED WITH THIS FORM CONSIST OF MORE THAN ONE DOCUMENT (e.g., preliminary official statement and wrap, even if physically attached). PLEASE CHECK HERE: C. IF THIS FORM AMENDS PREVIOUSLY SUBMITTED FORM WITHOUT CHANGING MATERIALS SUBMITTED. PLEASE CHECK HERE (include copy of original Form G-36(OS)).

SECTION II – IDENTIFICATION OF ISSUE(S)

Each issue must be listed separately. If more space is needed to list additional issues, please include on separate sheet and check here:

A. NAME OF ISSUER: City of Roseville STATE: CA
 DESCRIPTION OF ISSUE: Woodcreek East CFD No. 1 Special Tax Ser 2000 DATED: _____
 DATE: 11-9-00

B. NAME OF ISSUER: _____ STATE: _____
 DESCRIPTION OF ISSUE: _____ DATED: _____
 DATE: _____

C. NAME OF ISSUER: _____ STATE: _____
 DESCRIPTION OF ISSUE: _____ DATED: _____
 DATE: _____

SECTION III – TRANSACTION INFORMATION

A. LATEST FINAL MATURITY DATE OF ALL SECURITIES IN OFFERING: 9-1-27B. DATE OF FINAL AGREEMENT TO PURCHASE, OFFER OR SELL SECURITIES (Date of Sale): 10-25-00C. ACTUAL OR EXPECTED DATE OF DELIVERY OF SECURITIES TO UNDERWRITER(S) (Bond Closing): 11-9-00D. IF THESE SECURITIES ADVANCE REFUND ALL OR A PORTION OF ANOTHER ISSUE. PLEASE CHECK HERE:

A separate Form G-36(ARD) and copies of the advance refunding documents must be submitted for each issue advance refunded.

SECTION IV – UNDERWRITING ASSESSMENT INFORMATION

This information will be used by the MSRB to compute any rule A-13 underwriting assessment that may be due on this offering. The managing underwriter will be sent an invoice if a rule A-13 assessment is due on the offering.

A. MANAGING UNDERWRITER: Stone & Youngberg LLC SEC REG. NUMBER: 8-03149B. TOTAL PAR VALUE OF ALL SECURITIES IN OFFERING: \$ 5,465,000.00

C. PAR AMOUNT OF SECURITIES UNDERWRITTEN (if different from amount shown in item B above): \$ _____

D. CHECK ALL THAT APPLY:

1. At the option of the holder thereof, all securities in this offering may be tendered to the issuer of such securities or its designated agent for redemption or purchase at par value or more at least as frequently as every nine months until maturity, earlier redemption, or purchase by the issuer or its designated agent.
2. At the option of the holder thereof, all securities in this offering may be tendered to the issuer of such securities or its designated agent for redemption or purchase at par value or more at least as frequently as every two years until maturity, earlier redemption, or purchase by the issuer or its designated agent.
3. This offering is exempt from SEC Rule 15c2-12 under section (d)(1)(i) of that rule. Section (d)(1)(i) of SEC Rule 15c2-12 states that an offering is exempt from the requirements of the rule if the securities offered have authorized denominations of \$100,000 or more and are sold to no more than 35 persons each of whom the participating underwriter believes: (1) has the knowledge and expertise necessary to evaluate the merits and risks of the investment; and (2) is not purchasing for more than one account, or with a view toward distributing the securities.

SECTION V - CUSIP INFORMATION

MSRB rule G-34 requires that CUSIP numbers be assigned to each new issue of municipal securities unless the issue is ineligible for CUSIP number assignment under the eligibility criteria of the CUSIP Service Bureau.

A. CUSIP-9 NUMBERS OF ISSUE(S)

Maturity Date	CUSIP Number	Maturity Date	CUSIP Number	Maturity Date	CUSIP Number
9-1-05	777270FH4				
10	FJΦ				
27	FK7				

B. IF ANY OF THE ABOVE SECURITIES HAS A "CUSIP-6" BUT NO "CUSIP-9". CHECK HERE AND LIST THEM BELOW:
 (Please see instructions in Form G-36 Manual)

LIST ALL CUSIP-6 NUMBERS ASSIGNED _____

State the reason why such securities have not been assigned a "CUSIP-9" _____

C. IF ANY OF THESE SECURITIES IS INELIGIBLE FOR CUSIP NUMBER ASSIGNMENT. PLEASE CHECK HERE:

State the reason why such securities are ineligible for CUSIP number assignment _____

SECTION VI - MANAGING UNDERWRITER'S CERTIFICATION AND SIGNATURE

THE UNDERSIGNED CERTIFIES THAT THE MATERIALS ACCOMPANYING THIS FORM THAT ALL OTHER INFORMATION CONTAINED HEREIN IS TRUE AND CORRECT. TH MATERIALS WILL BE PUBLICLY DISSEMINATED.

ON ABOVE AND
 THAT SAID

MSRB Received
 Nov 3 2000

ON BEHALF OF THE MAN
 SECTION IV ABOVE

SIGNED: Susan

NAME: Susan
 (PRINT - M)

PHONE: (415)
 likely to be reached to e

r detailed instr
 ed or noted as inapplic

is form and two copies of the official state... al
 dered sent to the MSRB within the meaning of rule...
 materials to MSRB, MSIL System, 1640 King Street, Suite 300,